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# ***JPRS Report***

## **East Europe**

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JPRS-EER-91-014

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## BULGARIA

### State Security Agent on Informers, Procedures

91BA0195A Sofia ANTENI in Bulgarian 12 Dec 90 p 9

[Interview with an unidentified security agent by Yassen Georgiev; place and date not given: "Unexpected Discussion With Mr. X of the Bulgarian Secret Services Concerning the Rules of the Game"]

[Text] The idea of a conversation with a member of the Bulgarian secret services had long been part of the editors' plans. For a variety of reasons, mainly the reserved attitude of the personnel of this department, which is wrapped in legends, myths, and suspicions, the dialogue kept getting postponed.

After the Trenchev "bomb" exploded, thus putting the security services in the center of the public's attention, one of their members nonetheless decided to speak out. He explained that he had not informed his superiors of his intention of lifting the "curtain of stupid mystery that conceals his profession in our country." In exchange, however, he asked for his identity to remain secret. Mr. X (this is what we shall call him for the sake of greater clarity) explained the reason for his revelations as follows: "Balkan political mores have once again assumed the dirtiest aspects of social relations in other countries. By confusing the names of the secret services and using their massive amounts of information, some people are once again trying to throw out the baby with the bathwater."

[Georgiev] Mr. X, what specifically is your job in the secret services?

[Mr. X] If you are concerned that I may be a novice, let me reassure you: I worked for many years for the former State Security (but not the Sixth Administration). Today I am a member of the National Service for the Defense of the Constitution. I am engaged in "field" activities—that is, I establish direct contacts with the people, and not only with the upper strata of the services. In that sense, I am better informed about what is happening in the "kitchen" because, in the central services, assignments are issued in a variety of areas, and I carry out whatever assignments they give me.

[Georgiev] What kind of "assignments"?

[Mr. X] We are protecting the security of the country on the inside and the outside. The targets of our studies are espionage attempts, terrorist groups, and the threat of any eventual mutiny or coup or, in general, crimes enumerated in Chapter 1 of the Penal Code. Otherwise, our most important function is to provide information that is vitally needed by the state in making its management decisions.

[Georgiev] How is information gathered?

[Mr. X] Our main work is with agents, and about 30 to 40 percent of the information is received unsolicited.

The agents are trained on the job and were able to expose violations and criminal intentions on the basis of various features in the behavior of the people. The agents are not specialized and handle whatever assignments they are given. They are not instruments in our hands but individuals with their own thoughts, consciences, and civic responsibility.

[Georgiev] However, we cannot say that the way information is collected today is gaining support. The concept of informer has become a firm feature of the mass information media. Mr. X, do you have informers?

[Mr. X] Your way of asking this question is typical. Do you think we are reading tea leaves? I am not aware of any secret service in the world that does not use agents—and quite extensively, at that. Such was the case in the past, such is it now, and such will it be in the future, at least in the foreseeable one. Remember the "whisperers" of the Bulgarian khans, without whom they could not have ruled. In the final account, with a slight shift in viewpoint, the agent changes from a person with a depraved mentality to a citizen who takes an active stance and who, together with us, watches over the security of the state. In Bulgaria, at least agents cannot be accused of being mercenary. Our people have cooperated and are cooperating with us mainly out of idealism. We pay some for their expenditures—transportation or hotel—and a very few have received a fee, which does not exceed the average monthly salary for a period of a couple of months to a year. Personally, I think that such people should be paid, as is done in the West. In the final analysis, they sacrifice their time and nerves and even their health and lives! Today our agents are described as "informers," but they do not create panic as do all U.S. Government officials who write reports on their observations in other countries, or like the instructions issued to the West German Service for the Defense of the Constitution, according to which information is gathered from any citizen who has visited a country of interest to it.

[Georgiev] Let us talk about the "domestic" informers. I do not think it is a particularly pleasant idea to say good night to one's friends in the evening and then try to remember one's words or intonation, fearing that that same night they will be analyzed by some bureau. Is informing not perverse in this sense?

[Mr. X] It is perverse if the purpose is to discredit a person. Such disgusting happenings have taken place within our department, as well: Let us recall the case of Boris Dimovski, for instance. Various people, including agents, zealously reported that "he spoke against Todor Zhivkov." There were other such cases, as well. However, I think that they were isolated and that the "game" was being played on a special level. No one became a severe casualty. In fairness to the truth, informants among intellectuals are the worst. In frequent cases, the information they provide is "dictated" by their mediocrity, greed, or envy. However, it would be a mistake to overestimate the significance of such "greedy"



informers. In the final account, the security system does not employ naive people who blindly believe every single word. Information is always cross-checked, and it is impossible to "twist" its meaning. As for the spy mania, let everyone draw his own conclusion. I have a network of some 30 agents. If I were to file every bit of gossip, when would I be able to do my job? Furthermore, what kind of equipment would we need to process it? I laughed when I heard about the mass tapping of telephones. This would mean that 80 percent of the population would be working overtime to decode the blabbering of the other 20 percent.

[Georgiev] Mr. X, you do not deny, however, that your department has a great potential possibility of manipulating information in pursuit of some either known or unknown objectives.

[Mr. X] Conditions for manipulating data exist only when the information exceeds its assigned channels—that is, when such information is acted upon or becomes public knowledge. Unfortunately, such trends have been noted in our society of late. The question is of both a moral and a legal nature. It is moral because people who have selfishly served the state are threatened by the disruption of their lives. From the legal standpoint, such data are a violation of official if not state secrets. In that sense, manipulation is obvious when names, files, and information are no longer controlled by the services entitled to handle them.

[Georgiev] But are there adequate guarantees that the services themselves would not organize some kind of "dirty operation"?

[Mr. X] Personally, I fear that some former responsible and irresponsible officials have had the opportunity to acquire information that is subsequently used for base purposes. As for the activities of the service as a whole, its cadres display the clear aspiration to protect its new role of being a nonparty, a national department. The problem that there still is no law that would clearly regulate the range of activities of the security organs is a different matter. To this day, for example, the methods and ways of work, such as tapping, penetration, and the development of agents, are based on an old legal act, Ukase 1670 of 1974. It is not astounding that the fear exists and, obviously, the conditions for engaging in arbitrary actions. The "medicine" is clear: Parliament must regulate the work of the National Service for the Defense of the Constitution, and everyone must be equal in the eyes of the law....

## HUNGARY

### Evidence of Antall Cabinet Indecision

91CH0269B Budapest HETI VILAGGAZDASAG  
in Hungarian 24 Nov 90 p 4

[Comparison of economic events and demands, with the reactions of the Antall Cabinet: "Backing Out"]

[Text]

### Backing Out

In terms of economic decisions, the Antall Cabinet had to overcome not only its own indecision during the past six months but also the demands established by various strata of society. With a few exceptions, it regularly backed out from fulfilling such demands. The following recalls some of these events accompanied by demonstrations of a larger scale:

Time and Event	Demand	Cabinet Reaction
15 June: Open letter from wheat producers	10 percent increase in the bulk price	Rejection
2-3 July: Markushegy miners strike	50-percent wage increase, tax exemption for special provisions to miners, final settlement of coal mine issue	The Ministry of Industry and Commerce leadership and Istvan Bethlen immediately travel to the scene to negotiate with the workers council. On the following day, Industry Minister Peter Akos Bod reaches an agreement on all issues with the strikers, except in regard to wage increase. Regarding wage increase, the president [of the coal mine] makes a promise because that matter is within the authority of the enterprise.
1-2 August: Minimum wage demand by trade unions	Minimum wage raised from 5,000 forints to 5,600 forints	The Cabinet requests a 48-hour delay; a day later it adopts the proposal.
17-20 September: Pest Central District judges raise the possibility of resigning	100-percent increase in salaries, improved working conditions	In his response given to the Union of Court Employees and to the Association of County Judges at the conference of all judges, Justice Minister Istvan Balsai promises to develop new rules for the promotion of judges and prosecutors and to increase salaries.

**Backing Out (Continued)**

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Time and Event	Demand	Cabinet Reaction
19-27 September: Air traffic controllers raise the possibility of a strike	50-percent wage increase, the establishment of a new air traffic control center, reduction of work time to 36 hours, ensuring the primacy of civil aviation	Minister of Transportation Csaba Siklos and the Independent Union of Air Traffic Controllers designate deadlines and appoint persons responsible for implementation, and agree with respect to all issues, except wages. The president establishes a committee on wage changes in 1991.
20-27 September: Student demonstration	Increased student welfare subsidies, participation in the directorate of institutions of higher education, modernization of education	Initially, Minister of Culture Bertalan Andrasfalvy does not negotiate; subsequently he reaches an agreement with representatives of the National Higher Education Interest Protection Association to increase scholarships and to permit autonomous student governing bodies to become involved in developing projections with respect to higher education in the framework of the 1991 budget.
25-29 October: Taxi blockade	Suspension of automotive fuel price increases	Initially, the Cabinet rejects any kind of negotiation. Thereafter an agreement is reached within the Interest Reconciliation Council to temporarily reduce fuel prices by 12 forints, which sparks the introduction of a legislative proposal to provide for price liberalization.

**Development Committee Chief Appointed Minister**

91CH0269A Budapest NEPSZABADSAG in Hungarian  
15 Dec 90 p 5

[Interview with Erno Pungor, National Technical Development Committee (OMFB) chairman and academician, by H.Sz.; place and date not given: "Greater Authority, Less Money"—first paragraph is NEPSZABADSAG introduction]

[Text] Yesterday [14 Dec] the prime minister confirmed academician Erno Pungor in his capacity as chairman of the OMFB [National Technical Development Committee] and appointed him to the rank of a minister. Our first question of course, was whether this title represents an increase in authority.

[Pungor] Quite naturally, in this way I can do more in the interest of raising the country's technical level, because within the Council of Ministers I will be able to argue directly for technical development, not through an intermediary.

[H.Sz.] You became chairman of the OMFB three months ago. By now you must have been able to assess which are the most urgent tasks.

[Pungor] We must fully depart from the developmental policies of the recent past, by which the various ministries distributed the money for the maintenance of their respective institutions. Designated developmental funds must be centralized, and must be awarded on a competitive basis to finance the most important tasks. Let me give you an example. Previously, the Ministry of

Industry received about 40 percent of the central technical development fund. In practice, they expended this money in a way that no great results could be seen. As a result of realizing an innovation, the amount of money expended for the purposes of individual developmental functions must produce a "return" amounting to four or five times the money expended.

[H.Sz.] How much money do you have available at present?

[Pungor] In principle, the budget provides 10 billion forints for developmental purposes. Of this amount, the Finance Ministry took 1 billion forints for the development of higher education, 1.8 billion forints was taken by the OTKA [National Scientific Research Foundation], and 1 billion was used to patch up gaps in the budget. The remaining 6 billion forints, is one half of one percent of the national product.

[H.Sz.] How much money do developed industrial countries spend for such purposes?

[Pungor] They spend between 1 and 3 percent. We should be spending more than that in order to catch up with these countries.

[H.Sz.] What are the most important goals at present, in your view?

[Pungor] The most important goals are the introduction of technologies which consume little energy, environmental protection, and an increase in the processing level of agricultural products. The first, and most important task, is the one which serves as the foundation for all of these: The development of information systems.

### Economic Talks Collapse; Officials Walk Out

91CH0269F Budapest MAGYAR NEMZET  
in Hungarian 22 Dec 90 p 4

[Article by (kgyr): "Reconciliation of Interests Comes to a Standstill"]

[Text] Contrary to expectations, yesterday's meeting of the Interest Reconciliation Council [ET] turned out to be rather brief. At the meeting, participants were supposed to discuss the cabinet's three-year economic policy concepts and the anticipated income situation of the populace in 1991. These headings appeared at least on material forwarded by the government to the employee and employer sides in preparation for the meeting. As the meeting opened, however, only the chairman on duty and the spokesman appeared on the employer side. They protested the disregard of their recommendations thus far and announced that they would not take part in the workings of the ET. In an issued statement, they established the fact that no appropriate harmony existed between the workings of the ET, the cabinet, and parliament. Quite often materials already submitted to the parliament came before the ET, and cabinet representatives did not react to amendments proposed by the employer side. The material submitted by the cabinet for this meeting was not identical to the material subject to debate in parliament, and the material submitted should have been viewed only as background information. In order for the ET to function normally the conduct of the cabinet must be changed, and until that happens, the employers believe that the ET's work constitutes only a formality, and therefore is unnecessary. On the other hand, the employers stated that they were not the enemies of the cabinet, they wanted to help the cabinet's work instead. Therefore, the employers are prepared to make substantive proposals which have their foundations in economics.

Facing accomplished facts, the employee side fundamentally agreed with the employers' position, at the same time, however, they warned about the dangers of not having meetings. They made an initiative for the establishment of a mediation committee.

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#### [Commentary]

In retrospect, it does not make sense of course to ask "what would have happened if," but during a friendly exchange of opinions that followed the meeting, one wondered whether the step taken by the employers was well considered. Was there a chance yesterday morning, prior to the meeting, for viewpoints to come closer to each other, even if no consensus was reached? Perhaps there was such a chance. Although parliament completed its debate over the tax laws, the budget includes items, such as the issue pertaining to minimum wages, in regard to which interest reconciliation could have altered the cabinet's stubborn viewpoint. But the employer side had

had enough of the government sharing responsibility with the employers, without accepting the employers as substantive partners.

Next year, if parliament adopts the budget which places the middle strata and wage earners in a worse situation, the situation will be new by all means. It is questionable whether the participants of the ET, which is certainly to be convened with the help of the mediation committee, will be strong enough and sufficiently credible to control the growing social tension.

#### The Cabinet Was Surprised....

The prime minister's press office requested the MTI [Hungarian Telegraph Agency] to publicize the following:

The government was surprised to hear that instead of engaging in substantive debate, representatives of employers walked out of the ET's 21 December meeting. This is all the more regrettable, because as a result of the failed meeting—a meeting agreed upon a week earlier by employer and employee organizations—a consultation regarding next year's economic policy which affects broad strata of the populace did not come about. As a consequence, the chances for employers and employees to contribute in a creative manner to the drafting of laws which define the leading processes for 1991 have been reduced to a minimum, the statement indicates.

In the government's view, interest reconciliation institutions may be developed successfully only with the creative cooperation and assumption of responsibility by the three affected parties. We must enforce these principles both in the course of the continuous operation of the interest reconciliation system, and in discussing economic policy decisions which influence the fate of our nation in the short term.

#### Problems Faced by Judiciary Discussed

91CH0270B Budapest NEPSZABADSAG in Hungarian  
19 Dec 90 pp 1, 8

[Article by Andras Sereg: "Troubles in the Judiciary; Real Symptoms, Perceived Cures; Why Is the Hungarian Administration of Justice Ailing?"]

[Text] Recently, the National Assembly adopted a new law that provides for the promotion and compensation of judges and prosecutors. Although more legislative proposals, concepts, and financial plans are in the process of development in various workshops, our conversation partners did not deny the fact that the Hungarian administration of justice finds itself in a deep crisis these days.

Why? Even if only in a sketchy form, this is the question to which we tried to find answers.

Considering the workload and responsibility, people engaged in the administration of justice regard the moral and financial recognition of their profession as so low

that it is unfair, I was told the other day by a young judge in the corridor of the Pest Central District Court. The existing crisis, however, is far more grave than to permit anyone to reduce the problems to a mere wage issue.

This view was confirmed by Dr. Levente Dobozy, an attorney from Szeged. I asked him how he viewed the condition of the administration of justice a few feet away from the beach.

In Dobozy's view, the difficulties begin before a suit is filed. Quite naturally, things look different in Pest than in the countryside. In provincial courts, trials take place much sooner than in the capital. In Szeged, for example, a trial is held within a month after filing a complaint, unlike in Budapest where a trial date is set three months after the filing of a complaint, for a day three months hence.

According to Dr. Dobozy, within the administration of justice, counter selection had the greatest impact on the judges. Many talented people left this profession for better paying jobs. Most of these were looking for a different occupation from the outset, of course. In conjunction with this, many women found jobs in the judiciary. This is reflected among other matters in the adjudicatory practice followed in divorce cases.

#### **Vacant Jobs**

The attorney said that in a civil suit, a decree may be viewed as perfect if it is not only good, but also convincing. In other words, a decree which is accepted by both parties. This consideration, however, i.e., that the losing party should not feel offended after the proceeding, does not prevail in present adjudicatory practice. Many parties to such suits feel that their side of the story was not heard. This situation has its roots in the fact that judges, who are professionals, have no regard for laymen, Dobozy continued in his argument.

It is the function of courts to administer justice, and not to exercise the state's public power, Dobozy summarized his view. A deep-rooted change in outlook would be needed, as a result of which the citizen could become the center of attention.

This is the way an attorney sees these matters. What is the view of persons involved in the administration of justice?

I will quote Dr. Karoly Horeczky first. He is the chairman of the Association of Hungarian Judges. Horeczky believes that the problems experienced in the administration of justice are not new at all. At a press conference Horeczky explained that in the early 1950's the number of Hungarian judges was cut in half. The then prevailing political leadership not only made a drastic reduction in the number of personnel, it also undermined the dignity of the profession. As a result of this, judges were instantly turned into public officials. Subsequently, a view which held that the older the judge,

the better the judge, became dominant. By now we have a situation in which new judges have no one to learn from.

Dr. Horeczky's statements are consistent not only with the thoughts expressed by the Szeged attorney, but also with the views of Dr. Kalman Gyorgyi. The offices of the prosecutors are overwhelmed with work, I was told by the Supreme Prosecutor. A delay in the performance of a prosecutor's daily work constitutes a virtual tragedy for the rest of the prosecutors.

At present, there are 159 vacant positions in the prosecutors' offices. The difficulties may be characterized by the fact that there are vacant positions even at the Office of the Supreme Prosecutor, Gyorgyi added. Speaking of the functionality of the administration of justice, Gyorgyi stressed that increasing the retaining power of the judiciary and prosecutorial careers is of fundamental importance. Raising salaries is only one aspect of this issue, Gyorgyi continued. The conditions of training at the universities must also be improved. Previously the law schools worked on the basis of a limited number of students. For this reason there were only a limited number of graduates. On the other hand, today there is a great demand for lawyers, and they are able to pick and choose between the best jobs.

"The new law which settles promotions and compensation substantially strengthens the positions," the Supreme Prosecutor acknowledged. "Starting salaries in particular will become more attractive. In contrast, elder colleagues will not receive so great an increase, not to mention the fact that the earlier political and moral crisis of the prosecutorial career affected these elder colleagues most closely."

To all of this Gyorgyi added that no one can argue about the legitimacy of prosecutors in these days, because none of them had anything to do with the illegalities of decades ago. Hungarian prosecutors perform their functions decently and in an honorable manner.

But people working at the offices of prosecutors are also preoccupied with other matters. In an interview granted by Dr. Gyorgyi to this newspaper, he mentioned the concept according to which it is likely that in the future the organization will come under the direction of the minister of justice. The statement evoked a vocal response from prosecutors. Many responded by claiming that the independence enjoyed thus far would come to an end under this arrangement, and that therefore, they would prefer to leave the prosecutorial field. Only parliamentary oversight would be acceptable, according to the prosecutor in a provincial city, who asked that his name be withheld.

#### **Jungle Warfare**

The administration of justice is made more difficult not only by internal disputes, but also by the increased volume of laws. Laws in force are estimated to amount to about 20,000 pages. Even professionals find it difficult



to follow and review this volume. In addition to excessive regulations, the fact that legal provisions change extremely fast also causes problems. The real problem is that all of this is not related primarily to the political changes, but to the process which has been going on for so long, as a result of which the value of law depreciates.

There is no way to measure improper laws, nevertheless it is noteworthy that this year, the Constitutional Court received almost 500 petitions which argued the constitutionality of various individual legal provisions. Of these, 281 petitions pertained to provisions contained in one or another law.

The volume and quality of legal materials have a direct impact on the quality of the administration of justice, because legal provisions are tools in the hands of lawyers. Accordingly, the anomalies of the "legal jungle" thoroughly put to the test the load-bearing capacity of judges and prosecutors.

#### Before Collapse?

At the above mentioned meeting, Dr. Horeczky called attention to the fact that in the course of developing a constitutional state, one must keep in mind not only the legal provisions. Although legislation is an important part of this process, one must not disregard the fact that most institutional conditions are also missing. As long as we claim that along with other matters, the administration of justice must ensure the functioning of the market economy, we must also establish conditions which enable functioning, Horeczky said. For example: The fact that the registration of firms takes many months is unacceptable.

In conclusion, we must also mention a more recent matter which may easily lead to the collapse of the court system. This relates to adjudication under administrative law. On 11 December, the Constitutional Court declared null and void a 1981 government decree which provides that only some state administrative determinations may be challenged in court. The Constitutional Court suspended the implementation of its decision until 31 May 1991, stating at the same time that by the end of January, the government should submit to the National Assembly a legislative proposal concerning adjudication under administrative law. Simply put, beginning on 1 April, citizens may sue the authorities.

In the aftermath of the Constitutional Court ruling, the administration of justice faces two alternatives: The new case load will either be dumped on the already overburdened court system, or a new structure, the system of administrative law courts, will have to be established.

It is scary to even think of the first alternative. On the other hand, in the latter case, some judges (from where?) and billions [of forints] (also from where?) will be needed.

#### Constitutional Court: Role Further Clarified

91CH0269D Budapest NEPSZABADSAG in Hungarian  
23 Dec 90 p 4

[Interview with Constitutional Court Executive Secretary Dr. Andras Hollo by Andras Sereg; place and date not given: "Why Does the Constitutional Court Weigh Issues?"—first paragraph is NEPSZABADSAG introduction]

[Text] In the course of its one-year operation, the Constitutional Court declared a number of legal provisions unconstitutional. Pursuant to the practice followed thus far, the Constitutional Court nullified unconstitutional provisions with the following effective dates: immediately, with retroactive effect, and with a future effective date. We asked Constitutional Court executive secretary Dr. Andras Hollo the reasons for such distinctions.

[Hollo] The application of the various effective dates does not reflect the subjectivity of the Constitutional Court judges, because the extent of discretion is established by law. The general rule provides that if the Constitutional Court declares a legal provision to be in violation of the Constitution, that legal provision shall be deemed null and void beginning on the date that the Constitutional Court decision is published in MAGYAR KOZLONY.

[Sereg] On what occasions can the Constitutional Court deviate from this rule?

[Hollo] The law provides for two instances in which a deviation may be required. These are the certainty of the legal system, and the particularly important interest of petitioners. In other words, in several instances, the need to establish a future date is necessary so that the ominous standard may be adjusted to the constitutional provisions, i.e., to the legal system. This is so because the elimination of a legal provision may cause grave disturbances. Let us take for example the Supreme Prosecutor's petition regarding trade union dues. In November, the Constitutional Court took the position that the tax law violated the constitution not in regard to the favored parties, but in terms of an unwarranted distinction between employee interest groups. The Constitutional Court declared this fact only with an effective date of 31 December 1990, because in the court's view this deadline enabled the maintenance of legal certainty, and provided sufficient time for a renewed regulation of the issue. But the Constitutional Court took the same approach regarding the widows' pension, which is the subject of debate at present in the National Assembly.

[Sereg] Do decisions having a retroactive effect threaten legal certainty?

[Hollo] They do not. One of our decisions rendered in October declared unconstitutional the first paragraph of the so-called party law precisely on the basis of legal certainty, in order to prevent subsequent use of statements of assets prepared by party leaders.



[Sereg] Constitutional Court judges are variably regarded as antigovernment or as supportive of the government.

[Hollo] In response to this I may state that the Constitutional Court is an independent branch of power, but it is not a factor which acts outside of the system. In situations involving multiple interests, certain interests are necessarily deemphasized by decisions. Also, in such cases our task is to streamline constitutionality and legal certainty.

[Sereg] Can the Constitutional Court revise its own decisions?

[Hollo] Following a change of eras, or in case of a new constitution, it would not be inconceivable that earlier decisions having the significance of principles are once again reconsidered. At this time, however, we have an opportunity to correct our decisions at best, and even such corrections could aim for correcting technical mistakes only.

#### Statistics Office Reform, Policy Discussed

91CH0190A Budapest HETI VILAGGAZDASAG  
in Hungarian 10 Nov 90 pp 21-22

[Interview With Central Statistics Office (KSH) Director Gyorgy Vukovich by Akos Tomory; place and date not given: "The Director of KSH Responds: 'Keeping a Minimal Amount of Information Secret Is Natural'"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] The Central Statistics Office (KSH), which not so long ago was still considered to be one of the bastions of the former system, and which practically, up until recently, has always gotten away with releasing only selected bits of information to people in accordance with their respective positions within the power hierarchy as ordered from above, has now found itself in a difficult position. With the change of political order, the data supply system it has built up over the years appears to be collapsing, and more and more the KSH is becoming only one of several state administrative institutions hoping to receive additional budgetary subsidies. The question, of course, is whether or not it should stay this way, for, in principle, its collection of information could also be sold in the market place. How does this often talked about opening manifest itself in the life of the KSH? What conditions would need to be established in order for Hungary to have a statistical network and services that live up to international norms? These were some of the questions we put to Gyorgy Vukovich (61), the KSH's director, appointed this summer.

[Tomory] According to an opinion expressed recently by a state secretary, our enterprise data supply system is on the verge of collapse, and the KSH is unable to encompass our restructured economy. Consequently, I would think, the credibility of our data supply is also strongly in doubt. Despite the ominous signs, having applied as an

in-house candidate, this summer you have accepted the post of KSH director. Is this an indication of personal courage, or does it mean that you are of a different opinion?

[Vukovich] I would like to make it clear that I had not submitted any applications for the KSH director post. On the basis of various considerations I have been appointed to this job by the government without the vacancy having been announced. Another thing, the opinion you have referred to is exaggerated, and I would say, in many respects, superficial. I have indeed heard a colleague state that the KSH is unable to encompass our entire economic system. This is undoubtedly true, in view of the fact that the KSH's existing data collection system does not yet contain a mechanism for tracking small businesses. We must not forget that the statistical tracking system currently in place was devised a long time ago, on the basis of the need to track only a few thousand enterprises. Today we have several times that number operating in the economic sphere, and their ranks are constantly swelling. I would only like to add that the Hungarian KSH has been the only one of the formerly socialist successor states whose statistical data and their accuracy have been accepted as reliable by various international organizations, including the World Bank, the International Monetary Fund, the OECD, and other Western statistical organizations, as well as by individual countries.

The problems facing the KSH are entirely different in nature from the ones you have raised in your question here. Currently our problems stem more from the need to adopt new methods for keeping track of the market economy and our pluralistic society together with new systems of indicators, within a relatively very short time. We must establish, within an extremely short period of time, a national accounting system, together with systems for tracking banking, financial, labor, labor utilization, and unemployment statistics in accordance with the requirements of a market economy. I could also mention some other problems, unrelated to economic statistics, including the fact that presently the collection of statistical data pertaining to demographic trends, i.e., to birth and mortality rates, is the responsibility of the census bureau, and ever since this has been the case, we have been finding rather significant deficiencies in their data. This may be attributed to a variety of factors, and we are currently working to regain control over the gathering of demographic trend statistics, which for 120 years the Hungarian Statistics Office has conducted in a world-class fashion.

[Tomory] As far as the past decades are concerned I have to take your word for what you have said. For decades, the press, and society as a whole were either barred from the information you had access to, by no means as much for ethical as for political reasons, or were given the information in, to put it mildly, a retouched form.

[Vukovich] I would not be quite as categorical in stating that society was barred from information, for the office

had published volumes of data, both about the economic sphere and society. Naturally there were certain types of information that although available, could not be made public. Although I must tell you that in Hungary, particularly in the last decade, the number of such types of information was no longer significant. Nevertheless, it is true that there were such instances, and hence it is also true that the information relayed to the public was incomplete. It is also a fact, however, that the decisions to treat certain types of information as secret data originated not from the Hungarian Statistics Office, but from outside forces. I, as well as any domestic or foreign statistician who has ever worked with Hungarian data, can assure you as being fully cognizant of our responsibilities, that the Office had never published falsified data. It is an entirely different matter that for various methodological reasons, certain data may have been open to various interpretations. One example is the consumer price index, the value of which greatly depends on the method of data collection used, i.e., on the items it encompasses, and the relative weight assigned to them by the index. This, however, is a methodological, not a political question. In order to resolve these problems, we intend to hold expert debates concerning every important index and data system in order to arrive at a consensus regarding the method of data collection to be applied.

[Tomory] You have misunderstood what I have said. I was not referring to how the politicians used to fool one another or themselves. This is more than just a "methodological issue." What I had in mind was the problem of not making credible data—which did indeed exist—widely available. Is the KSH willing and prepared to take any initiatives in this area?

[Vukovich] Keeping a certain minimal amount of information secret is natural. There is no example anywhere in the world of everyone having access to everything. Besides, I believe that public opinion has somewhat overmystified the work and role of the Hungarian Statistics Office, for, as I have already mentioned, even in the Kadar era, the KSH was publishing a wealth of information, and most of its publications were accessible to everyone. The political system change will gradually eliminate even the last vestiges of unnecessary wariness, as evidenced by the fact that today, there are already very few secret data left. As an example, I could mention that although we have been computing minimal subsistence statistics since 1983, we have only been able to widely publicize these figures since last year.

[Tomory] Forgive me, but I would list this more in the negative column, particularly in view of the lingering belief that there remains in place a double data supply system in which information not intended for "public consumption" is processed by separate departments. These data are still forwarded to the 100 or so selected individuals via a closed circuit telex system.

[Vukovich] The results of the KSH's computations are sent simultaneously to, among others, the government,

and the various political parties. In other words, there is no basis to the claim that, let us say, the leadership of the country is handed information that is different from that released to the opposition or to the public. Incidentally, we have never had any departments working exclusively to meet requests from above. The monitors of the closed circuit system you have referred to, by the way, used to stand on the desks of the members of the MSZMP CC [Hungarian Socialist Workers' Party Central Committee]. I believe that even several years ago, this solution was considered to be more of a status symbol, a measure of importance, rather than a vital working tool, if for no other reason than the fact that it contained limited information. It is true that this system is still in place, but we intend to fundamentally reform it, because in its present form, it makes no sense to maintain it. Moreover, access to data is slowly becoming more of a financial, rather than a political matter, as we have less and less money to issue our publications.

It is definitely important, in my view, to come to a clear understanding, and that the state administration and the public understand as well, what it is that we can regularly provide given our budgetary constraints. Getting back to the issue of dependence, in a democratic country, such as ours has recently become, the independence of statistics is to be judged not by the fact that it is budget-supported, for as I have pointed out, this is also the case everywhere else, but rather by the fact that the government is controlled by a democratic opposition in parliament, which means that it cannot get away with putting any kind of pressure either on statistics, or on any other systems of information. Also, guaranteeing the independence of statistics is the presence of statisticians' ethics, about which little has been said so far, even though I believe that such ethics play an extremely important role in preventing anyone from publishing distorted and false information.

#### **Local Tax Structure Adopted by National Assembly**

*91CH0270F Budapest NEPSZABADSAG in Hungarian  
29 Dec 90 pp 1, 4*

[Unattributed article: "Five New Taxes in One Day"]

[Excerpts] Five new taxes (building, lot, community, foreign tourism, and local business taxes) which local governments may levy [passage omitted] will accompany us into the new year. [passage omitted]

The maximum tax on buildings per year is 300 forints per square meter. The upper limit of taxes to be paid on lots is 100 forints per square meter. [passage omitted]

The representatives decided that with respect to all housing units, permanent resident family members—relatives of direct lineage—enjoy a tax exempt status up to 25 square meters per person. No taxes are to be paid on emergency housing. Similarly, other premises which enjoy a tax exempt status are social welfare, health care, child protection, and premises used by institutions for

the upbringing of children or for educational purposes, as well as historical buildings, churches, or buildings used for public worship owned by the churches, buildings which serve as the residences of priests and ministers, as well as cloisters in which monks reside.

Lot taxes may be levied on unimproved land areas within the jurisdiction of autonomous governmental bodies. Depending on the choice made by the autonomous governmental body, the basis for taxation with respect to both lot and building taxes, is the area expressed in square meters, which alternatively is the adjusted sales value. Lots subject to construction bans or lots which are used for public purposes are tax exempt. [passage omitted]

An autonomous governmental body may introduce taxes of a communal character to finance infrastructural development or environmental protection measures. Essentially, such taxes may be levied against anyone who owns a building or a lot, or lives in a rental apartment. Community tax payable by entrepreneurs is one such tax, and so is the foreign tourism tax. The law provides that if a private person makes a community-oriented investment within the jurisdiction of the autonomous governmental body, the value of such investment, as supported by invoices may be deducted from local taxes. In the event that the amount of the tax is smaller than the amount invested, the right to deduct the value of the investment may be transferred to the following year, or to subsequent years. Private persons able to prove that annual payments made for such investment purposes are the same as, or exceed the annual amount of local taxes will be exempt from the payment of local taxes. Otherwise, only the difference must be paid in the form of local taxes. On the other hand, the tax exemption applies only for as many years as the payments reach or exceed the amount of community taxes in a given year.

If foreign tourism taxes are levied at all, such taxes must be paid by persons who stay within the jurisdiction of a given autonomous governmental body as nonpermanent residents for a period exceeding 48 hours, and who own buildings suitable for recreation or rest, which do not qualify as residences. The upper limit per person, per day for such taxes is 100 forints, or for a building, a maximum of 300 forints per year, per square meter.

Autonomous governmental bodies may levy business taxes based on the profit making or income producing activities of entrepreneurs. Also in this regard, the law specifies the circumstances under which entrepreneurs are tax exempt. The upper limit of annual taxes amounts to 0.3 percent of the tax base.

Beyond the introduction of taxes, autonomous governmental bodies will establish the tax rates, with due regard to the upper limits established by law. Autonomous governmental bodies may also expand the group of taxpayers who enjoy tax exemption or receive favored treatment. Autonomous governmental bodies are obligated to inform the public concerning the amount of

taxes collected. This is to be accomplished as part of the budgetary report [to be publicized by the local governmental bodies]. On the one hand, autonomous governmental bodies are not obligated to publicize reports concerning the use of such taxes. The law does not provide for a mandatory minimum local tax.

In Budapest, the autonomous governmental body of the capital may specify what kinds of local taxes the various autonomous governmental bodies of administrative districts may levy. On the other hand, detailed rules for taxation are established by the autonomous governmental bodies of the various administrative districts. [passage omitted]

#### Opinion Poll: Views on Politics, Democracy

91CH0270D Budapest NEPSZABADSAG in Hungarian  
28 Dec 90 p 8

[Article by Janos Simon and Laszlo Bruszt: "Tell Me, for Whom Would You Vote? Political Culture and Democracy"]

[Text] In recent months people have been able to taste democracy and to sense the flavor of it. What does democracy mean today to citizens? How do they view its institutional system, the parties, the parliament, the cabinet, and the politicians, and to what extent do they trust these? In general, how do people view the first six months of democracy?

The Social Science, and the Sociological Research Institutes of the Hungarian Academy of Science [MTA] commissioned us to conduct a survey using questionnaires, based on a nationwide representative sample population. Between 25 October and 6 November 1990 we contacted 1,300 citizens with our questionnaire to enable us to formulate a picture of Hungarian society's political culture. The survey is part of a program which spans six East European countries and examines political culture.

By now people not only have become familiar with, but also have firmly accepted the framework and opportunities provided by the rules of democracy based on a multiparty system. Almost 90 percent of the persons asked said that we needed a parliament, and 88 percent professed that free elections were the best method of choosing a government and leaders. In an overall East European context, the indexes of the type which show the approval rate of democratic institutions is even higher among citizens in Hungary than in Czechoslovakia, a country proud of its democratic traditions (69 percent and 74 percent respectively).

#### The Acquired and Accepted Rules of Democracy

The rate by which democratic institutions are recognized shows an upward leap in recent months. A decisive majority of the people accepts the validity of free elections, parliament, and of the multiparty system. In November 1989, only 76 percent of the persons asked



stated that political parties were needed for democracy. Today, 88 percent of the people hold this view. A year ago, 42 percent of the people asked stated that all parties were alike. Today, fewer than one-third (31 percent) of the people do not recognize differences between the individual parties.

Confidence in the possibility of achieving a stabilized democracy also increased. A year ago, more than one-fifth of those asked said that democracy will never become stabilized in Hungary. The ratio of those who said the same today declined to 16 percent. At the same time a sense of belonging to Europe—a feeling that Hungary is in need of democratic development similar to that experienced in West European countries—gained strength. (The ratio of persons responding in the affirmative increased from last year's 77 percent to 88 percent, while for example in Czechoslovakia today this ratio is only 59 percent.)

#### Democracy Is Needed, but Not This Way

It is very important to underscore the fact that in Hungary, people definitely accept democracy, its institutions, and its rules. Whenever they criticize the parliament, the parties, or the government they do not express a general dissatisfaction with democracy, but with the specific functioning and present performance of democracy.

People are dissatisfied with the performance of political institutions. Their confidence in these shows a continuous decline. For example, a year ago, 64 percent of the respondents expressed full or high level confidence in parliament, the place where public political roles are performed in the open. Today, this ratio stands at 45 percent. Most likely it is of little benefit to the prestige of the National Assembly that substantive debate takes place in committees, and that the TV viewer is able to watch (with a sarcastic smile) parliamentary sessions, which often deteriorate into personality disputes. Loss of confidence may be seen in the most dramatic proportion relative to the present cabinet. When asked: "To what extent do you have confidence that the present Hungarian Government leads the country in the proper

direction?" Barely 6 percent of the people responded by saying "fully." Only nineteen percent responded by saying "to a large degree," while 54 percent have a "small degree" of confidence, and 15 percent have no confidence at all. To appropriately convey the extent to which the confidence reserves of the (first) Antall cabinet evaporated, we also present the confidence indexes of the Nemeth government of November 1989: Full confidence: 8 percent; Large degree of confidence: 29 percent; Small degree of confidence: 52 percent; No confidence at all: 7 percent.

While in general, people sense a greater distance between themselves and political institutions—within that particularly from the political parties—than at the time of the National Assembly elections last spring. The extent to which confidence in the individual parties was lost is not identical with respect to each party. The most spectacular phenomena are the increase in the favorable assessment of the Association of Young Democrats [FIDESZ], and the decline in favorable views concerning the Hungarian Democratic Forum [MDF]. When the survey population was asked if they felt closer to one or another party, only half of the respondents answered in the affirmative. Thus, the following order evolved among the six political parties seated in parliament: FIDESZ: 13.6 percent; Alliance of Free Democrats [SZDSZ]: 11.8 percent; MDF: 8.9 percent; Independent Smallholders Party [FKgP]: 3.8 percent; Hungarian Socialist Party [MSZP]: 3.5 percent; and the Christian Democratic People's Party [KDNP]: 2.6 percent.

#### The People They Do Not Know, Do Not Like

People also measure the performance of the system through the political representatives of the system. We tested the popularity of 13 known, public personalities. To provide a basis for comparison, along with foreign and Hungarian politicians we included a well known Hungarian television reporter. We asked the following question: "Which one of the following politicians do you believe, to what extent do you accept the statements of these politicians?" The following range of responses was provided: To the fullest extent, to a large degree, to a small degree, and not at all. Here then is the politician's top list! (Data are expressed in percentages.)

Whom Do You Trust?

	Politician	Full or Great Confidence	No Confidence at All	Do Not Know or Do Not Wish To Judge
1.	Goncz, Arpad	63.9	7.8	11.2
2.	Horn, Gyula	59.0	8.1	13.1
3.	Nemeth, Miklos	58.2	10.2	9.4
4.	Pope John Paul II	58.1	10.3	15.0
5.	Bush, George	57.4	5.7	17.6
6.	Kohl, Helmut	56.1	5.9	20.6
7.	Vitray, Tamas	54.9	9.6	14.4
8.	Thatcher, Margaret	52.0	6.3	19.5
9.	Orban, Viktor	50.0	7.8	22.9

Whom Do You Trust? (Continued)

	Politician	Full or Great Confidence	No Confidence at All	Do Not Know or Do Not Wish To Judge
10.	Gorbachev, Mikhail	47.9	12.8	17.6
11.	Antall, Jozsef	45.0	16.8	17.6
12.	Mitterrand, Francois	44.2	6.4	29.9
13.	Peto, Ivan	40.9	8.5	29.5

The fact that from among the six Hungarian politicians on the list, the three who possess least political power today are most popular, makes one ponder. Moreover, both Gyula Horn and Miklos Nemeth may credit their popularity primarily to their previous political performance. The leaders of the three largest Hungarian political parties are less popular than the well known television reporter. This situation is unparalleled in today's East Europe, and is not overly flattering to our politicians.

We asked the people the following question: "Taken as a whole, to what extent are you satisfied with the way democracy is today in Hungary?" A mere 1.8 percent of the citizens expressed full satisfaction, and only 12 percent of the people said that they were largely satisfied with the present situation of democracy. Conversely, almost 80 percent of the respondents said that they were satisfied only to a small degree, or not at all. The extremely high ratio of dissatisfaction is best shown by surveys conducted in Czechoslovakia and Bulgaria within the same time frame. In Czechoslovakia, only 63 percent of the people were satisfied to a small extent or not satisfied at all with the way democracy was today. The corresponding ratio in Bulgaria was 59 percent.

#### Democracy and Economic Prosperity

Dissatisfaction with the present situation also appreciates and beautifies the past. We received depressing responses when we asked about the way things were going since the close of the Kadar era in May 1988. To the extent to which expectations are tied to the change in systems they were fulfilled. A year earlier only 24 percent of the respondents declared that they were not disappointed, because things were going better, or the same way as expected. Today only

17 percent of the respondents believe so. The deterioration in the general outlook of the populace is indicated by the fact that last year only 27 percent of the people expressed disappointment as compared to their preliminary expectations, while at present, 42 percent of the people felt that things were going worse than what they had anticipated.

After all this, it was appropriate to find out what people understood about, or meant by the term "democracy," and what constituted the subject of their dissatisfaction. A high ratio of the respondents regarded improved economic conditions (75 percent), in addition to equality under law (84 percent), and the multiparty system (78 percent) as closely related to the concept of democracy, and established corresponding expectations from democracy. Other values, such as freedom of speech and assembly (73 percent), women's equality (71 percent), discontinuance of corruption and favoritism (63 percent), moral and sexual freedom (45 percent), etc., ranked lower than these values and expectations. The demand and preference for improving economic conditions is rather strong in Hungary, even if measured on an East European scale. People got used to this as a result of the "consumer socialism" of the paternalistic Kadar era.

As a result of higher living standards and a higher degree of freedom in the 1970's, a feeling that Hungarian citizens lived in the "happiest barracks" in the East European socialist countries gained strength. Although a deterioration in the standard of living could be felt during the 1980's, the sense of being the "happiest barracks" in the region essentially has survived to this day. This can be seen from the answers received to the following question: "Please rank the following eight countries according to these criteria: 1. In which country are people better off? and 2. In which country do people have a greater influence in formulating policies?"

Eight Countries Ranked

First Criterion		Second Criterion	
Country Sequence	Index Points	Country Sequence	Index Points
1. Austria	0.18	1. Austria	0.44
2. Turkey	2.18	2. Hungary	2.06
3. Hungary	2.26	3. Turkey	2.75
4. Czechoslovakia	2.50	4. Czechoslovakia	2.88
5. Bulgaria	4.14	5. Poland	3.13
6. Poland	4.24	6. Soviet Union	4.69
7. Soviet Union	5.03	7. Bulgaria	4.73
8. Romania	5.95	8. Romania	6.09



Although it is true that Hungary still has the most favorable indexes, among the countries of the former "socialist camp," by now the basis of comparison used by the people has changed. They no longer look to the East, but to Austria and toward the West, and their judgment is also based on this view. Also, this is part of the citizens' democratic emancipation and sense of belonging to Europe. Almost 80 percent of the persons asked believed that economic prosperity was the most important characteristic of free enterprise capitalist economies. Accordingly, we recognize here a broadening of the people's horizons, increased expectations from democracy, while their standard of living is continuously deteriorating. The abyss which is growing between individual expectations from democracy, and the ability of democracy to fulfill such expectations presents the greatest challenge to the new Hungarian democracy.

According to 70 percent of the people, the country's economic situation has definitely deteriorated as compared to the last five years of the previous government. They recognize the deteriorating situation of blue collar workers (77 percent) and of peasants (65 percent) as the worst. The situation of the middle class also underwent a substantial deterioration (46 percent). On the other hand, 46 percent of the respondents believe that the situation of entrepreneurs has improved, and only 20 percent believes that it did not. In light of this, it comes as no surprise that a majority of citizens (85 percent) believe that blue collar workers are most dissatisfied with the change in the system, followed by miners (83 percent), and agricultural workers (81 percent). Today, the largest political tension that exists in the country is between economic demands made from democracy on the one hand, and the present performance capacity of democracy, on the other.

#### Toward a Democratic Citizen Existence

Citizens regard the achievements of democracy as too little or as bad, while at the same time, they accept the opportunities to act afforded by a pluralist democracy for the protection of their interests. The ratio of those who believe that they are no longer dependent on decisions made by local and national authorities increased by leaps and bounds. In March and November 1989, only 22 percent of the people felt that they would be able to take action against adverse decisions made by local councils. Today, this ratio has increased to 29 percent.

Last year 9.6 and 10.7 percent of the citizenry claimed to be able to do something about actions taken at the national level which violated their interests. At present, this ratio has increased to 17.7 percent. Although on an East European scale, this ratio is high—the same ratio in Czechoslovakia is 13.7 percent, and 12.4 percent in Bulgaria—on an international scale, Hungary still ranks

below the bottom of the democratic Third World (after Turkey, Mexico, and Venezuela).

**Percentage of Survey Population That Believes That, in the Countries Enumerated, People Are Capable of Acting Against Governmental Decisions That Violate Their Interests**

Country	At the Local Level	At the National Level
United States	77	75
Great Britain	78	62
Holland	—	38
Italy	51	28
Austria	46	—
Turkey (agricultural population only)	67	26
Mexico (nonagricultural population)	52	38
Venezuela (agricultural population only)	29	20
Hungary, March 1989	22	9.6
Hungary, November 1989	22	10.7
Hungary, November 1990	29	17.7
Czechoslovakia, November	—	13.7
Bulgaria, November	19.2	12.4

Also noteworthy is the fact that while in previous years more than 80 percent of the persons responding positively were members of the party, today less than 1 percent of the positive respondents is a member of a political party. In other words, those who dare to protest something today, and actually register protest, do so based simply on citizen's right.

Two-thirds of those who felt that they could do something against governmental action that violated their interests thought that demonstrations and strikes would provide opportunities for the enforcement of interests, and barely one-fifth of these would seek help from their representatives in parliament. The rate of acceptability of demonstrations and strikes, as two important democratic manifestations of civil disobedience, tripled since last year.

The important lesson to be learned from this survey is that in these days the courage of people has increased, they dare to take action to protect their interests in a more self-assured manner, and that in their eyes, this is also part of democracy. Perhaps we may risk making the following statement: By now, the long process of citizenship has visibly begun. This consistently disintegrates the feeling of dependence, vis-a-vis the power, and leads to a modern, democratic citizen existence.

## POLAND

### Hong Kong Businesses Seek Markets, Partners

91EP0127A Warsaw RYNKI ZAGRANICZNE in Polish  
No 102, 8 Nov 90 p 8

[Article by Maciej Tekielski: "When Will the Chinese Arrive?"]

[Text] The Hong Kong Trade Development Council arranged three exhibits in Poland in the last several months promoting that country's goods. Only six firms from the textile branch took part in the first exhibit, but in the last exhibit 38 enterprises, representing all important fields of industries, were present. In addition to the textile and clothing branch, the following products were promoted: consumer electronics, household articles, toys and games, watches, information systems, telefax machines, and computers.

The Hong Kong exhibitors came with the idea of selling, but this country's firms, as the representatives of the Trade Development Council assured us, are also interested in much closer forms of cooperation. Namely, they are searching for business partners to represent their interests in Poland. They would like, among other things, to set up offices, have their representatives here, and in the future, also establish factories, either themselves or jointly with Polish partners.

Negotiations on establishing the first two or three joint ventures are already well underway. One of them concerns production of videocassettes in Poland. For the good of the negotiations, further details on these ventures cannot yet be revealed. Furthermore, the Hong Kong firms, as well as the Japanese firms, are extremely cautious, therefore, the beginnings are difficult. Anyway, they reflect the figures on trade turnover.

Although Poland is the most important market for Hong Kong in Eastern Europe, it still occupies the 50th place on the list of trading partners. In 1989, our imports from that country amounted to \$93 million (according to their figures), of which 60 percent was reexport, mainly to China, Taiwan, and Singapore. This reexport increased threefold last year, from \$22.7 million to \$60.3 million, and it was made up mostly of textile products and clothing. These same products also dominated in our direct imports from Hong Kong. However, exports to Hong Kong in 1980 totaled only \$11.5 million and have shrunk in recent years.

According to figures covering seven months of this year, our commercial trade increased almost 29 percent, of which exports comprised 40 percent. The share of textile articles in imports dropped and the share of television sets grew. Our main exports were metallurgical and chemical products, and copper.

Our distant place in Hong Kong's foreign sales, despite the fact that our mutual exchange passed the \$100 million level, is due to that country's extremely dynamic

development of trade. In the last three years, sales doubled: from \$70 billion in 1986 to over \$140 billion in 1989, of which half consisted of reexports to other Southeast Asia countries, mainly to and from China.

Clothing remains the dominant export branch. Over 30 percent of Hong Kong's own export is clothing, \$9.7 million in 1989. Textile products (yarn, fabric, and the like) are in second place at eight percent, and only then do such items as watches, telecommunications, and office equipment, etc., appear.

The Hong Kong Trade Development Council's role is very important to the success of the expansion of exports. This organization is independent of the government and is financed by a minimal surcharge on foreign trade sales. It directs the operations of 48 foreign offices and, during the course of a year, it arranges over 160 exhibits, trade missions, and other promotional events. Its informational and publications activities are also very extensive. Thousands of inquiries on offers pass through this office (in 1989, 216,000 such inquiries were forwarded to interested firms). The publications department, on the other hand, sends out numerous promotional publications, informational material, and press releases.

The interest of both sides in the development of economic relations is clearly growing and it is expected that in the near future there will be a more active examination by the Hong Kong side of the possibilities of conducting trade as well as in investing in Poland. As the date for the passing of this territory to complete Chinese control (1997) draws nearer, the striving to transfer capital and diversify contacts geographically becomes more intensive. Therefore, if our economic changes and market mechanisms do not suddenly begin to fail, we may expect a very clear breakthrough in mutual relations.

The exhibit from Hong Kong enjoyed great success among the potential Polish partners. Of those who saw it, the newest Polish entrepreneurs dominated, mostly from the trade groups, whose experience in international trade is limited to bazaars and who tremble with trepidation at the words "letter of credit." But because of this, they have a lot of money and are ready to take risks. Generally speaking, they make decisions instantaneously. They can be compared to the first wave of settlers in the Wild West. It is precisely from these pioneers that future millionaires spring up. By nature calm and cautious, the Chinese were a little surprised, and perhaps even frightened, by this onrush. But it is certain that from one of these contacts, with time, large transactions and important ventures will follow.

The Hong Kong Trade Development Council plans to arrange two similar events next year, in February and October. It would also like to draw Polish exhibitors and businessmen to visit Hong Kong. The obtaining of visas has been made easier and they can now be received in three weeks.

It appears that future exhibits of products from Hong Kong will be no less successful than the last one. The Chinese, we believe, will also come to us with their capital, and even sooner, we are sure, than expected.

### SdRP Publishes Social Policy Program

91EP0161A Warsaw TRYBUNA in Polish 29 Nov 90  
pp 2-3

[Unattributed article: "Life Confirms the Warnings of the Left: The Program of SdRP [Social Democracy of the Polish Republic] Social Policy"]

[Text] Poland is undergoing a radical restructuring of its socioeconomic system. The state-command economy is being replaced by a market economy and the single-party system is being replaced by parliamentary democracy. However, this is not being accompanied by a coherent vision of social policy which takes into account contemporary realities and the wealth of experience of developed nations. Such shortsightedness threatens to sever the ties between economic and social progress and portends a deep material stratification, the disintegration of society and mass poverty. We caution against this danger.

The Social Democracy of the Polish Republic [SdRP], the party of the democratic left, while favoring a market economy, holds the position that such an economy should be combined with state interventionism on a broad scale. In particular, the state should intervene in the creation and implementation of the program of social policy, with a specific hierarchy of values and a corresponding model of social development.

At the center of our field of interest is the human being, his living situation, his aspirations, needs and concerns. We are opposed to social policy conducted merely to offer charitable assistance to the unemployed and to those who are dying of hunger. This was expressed in the SdRP program, announced in April 1990.

Thus, we support economic progress which respects the interdependency of economic and social development, the worthy position of the working person in society, and the growing scope of his status as sovereign.

The social-democratic concept postulates an active role for the state and attempts to define those areas of meeting human needs in which the state should guarantee minimum standards, those areas in which the state should facilitate the continually improved satisfaction of these needs, and those areas in which the state should guarantee the optimum satisfaction of these needs.

These postulates and expectations emanate from the social-democratic concept of perceiving the place and function of social policy in the modern day state, verified through the decades in many countries. The experiences of these countries confirm that this route is the most effective one, that it is the route which guarantees an improvement in general living standards and enables all socio-occupational groups to take advantage of the economic progress being made.

### I.

The SdRP program of social policy is linked closely with the ideological foundations of social democracy. We consider the supreme measure of progress to be the degree to which the changing needs of society are met. The primary indicators of such progress are the following:

- Whether the working conditions and living standards of individual social groups are improving, and the degree to which they are improving.
- The degree to which conditions have been created which permit the full self-realization of the human being and the development of all facets of his personality.
- The types of qualitative elements of life which are gaining in importance in the social consciousness and in social practice.
- The degree to which the hierarchy of values created to meet social needs corresponds to the answer to the question on the meaning of life.

We support social justice understood as equal opportunity and as an equal start in life. Society was never neutral regarding the degree of differentiation manifested in the satisfaction of its needs. The market economy sharply deepens this differentiation. We believe that the level of this differentiation must be based upon a social consensus. Otherwise, the process of disintegration and the breakup of social ties will assume a destructive quality. We shall defend the principles of equal access by children and youth to education and culture. We believe that, regardless of the economic situation, we cannot permit the expansion of the scope of poverty, i.e., the number of families who live below the social minimum. Under no pretext may we permit the endangerment of the biological existence of entire social groups. The state must ensure the poorest groups a minimal existence and it must be concerned with improving the living standards of the broad masses of society.

The expansion and strengthening of the democratization of life and of the sovereign status of the human being and the citizen must be an integral part of contemporary social policy, its composite element, inseparable from economic prosperity. Every member of society must have a greater and greater, and real impact upon decisionmaking with regard to himself and the reality that encircles him. The parliamentary system and changes on the societywide scale should be logically and closely linked to territorial self-government, workplace self-government, and residential self-government.

### II.

The government economic program which has been put into effect has significantly reduced inflation, has brought us nearer to a state of market stability, and has made possible the internal convertibility of the zloty. At the same time, the government has attained a very high credit balance in terms of society's confidence in it.

However, the social costs of this program have been unexpectedly high. There has been a far greater decline in industrial production than had been expected, particularly for industries engaged in market production. Economic conditions in agriculture have clearly worsened. Unemployment is growing several times faster than was expected. The vast majority of young people who graduate from school do not have any opportunity of getting their first job. The housing industry has collapsed. Overall, living standards have dropped and the consumption of most goods and services has declined. Real earnings have declined on an average of nearly 40 percent. The sphere of poverty is growing rapidly; nearly one-half of all families live below the social minimum. Social services are cut back. Access to culture is declining drastically. The belief is becoming more and more widespread that the directions of change and the goals comprised by the government program did not require such enormous sacrifices and did not necessitate hurling the economy into a deep regression such as exists nowhere else in the world.

Life confirms the warnings of the left that the following will multiply the social costs of the reform:

- The failure of the government program to take heed of the circumstances particular to the transitional period.
- The sole reliance of this program upon self-acting market mechanisms, upon the market's "invisible hand."
- The limiting of the role of the state in the economy and in social policy to a degree that exceeds the bounds designated by the experiences of other countries which respect economic laws and market principles of management.

Society is cognizant of the fact that the reforms, and particularly such deep reforms as those which are taking place in our country, cannot occur without sacrifices and temporary laments. However, such sacrifices and laments cannot exceed objectively justified dimensions, thereby striking at the foundations of the daily existence of millions of Polish families and canceling out all the gains they have made thus far in their lives as well as their prospects for the future.

### III.

The basis of social progress, its driving force, is economic development. Economic development creates needs and also supplies the funds for meeting these needs. At the same time, however, economic growth is contingent upon effective social policy.

We consider the aim towards regular growth in national income, in industrial and farm production, and in a broad range of services, given the available resources, to be a basic imperative of development. Stagnation, and even more, regression and economic breakdown (the present state), regardless of other determining factors

and the current extent of consumption, leads to the endangerment of the potential for meeting basic social needs.

We consider it essential to take vigorous action to increase the rate of economic restructuring, to stimulate an increase in production, to eliminate artificial overproduction, and to open the developmental trend of farm production. The failure to take such action would doom Poland to another decade of stagnation and would threaten fundamental social goals, causing the further impoverishment of a significant portion of society.

### IV.

The SdRP treats an active social policy as an inseparable element of a social market economy.

1. We are opposed to a restrictive wage-income policy which deprives good, productively operating enterprises of the possibility of suitably compensating employees. The level of wages in Poland is very low and their share in the national income is continually on the decline. The share of wages in production costs is also low. Given the assumption that an increase in private earnings and income will correlate with an increase in production and national income, these unfavorable trends must be quickly reversed. We are in favor of creating legal-economic conditions in which work well done is well paid.

2. Our most valuable resource is people, their knowledge and potential and their willingness to work. This resource cannot be wasted. A market economy put into operation creates a labor market in which unemployment can occur. However, the state should stimulate the appropriate legal and economic solutions to foster the minimization of the unemployment rate to keep it below two to three percent of those able to work. This means obliging the state to ensure that the right to work, which is universally recognized as a basic right of man protected by a series of pacts and international conventions, becomes a reality. Above all, young people must be granted the possibility of getting their first job. First and foremost, the labor market should serve rational transfers of employees from less productive departments, branches and enterprises to more productive ones, and not the artificial elimination of people from participating in generating the national income.

The government and self-governmental administration should embark upon a variety of efforts to moderate the effects of unemployment, from intervention and requalifying the unemployed to organizing intervention efforts and social assistance. Concrete action is needed to improve working conditions and labor safety and hygiene. All economic sectors should be involved in these actions.

3. We support a system of free, universal education which ensures an equal start in education to all children and young people regardless of their parents' financial assets. This does not exclude the parallel operation of



private education, financed not out of public funds but out of the private resources of groups of citizens who are better off financially. We must curb the regression of higher education as quickly as possible and shift to the introduction of universal secondary education. The system of a market economy, the transformation of its structure, and the new technologies impose the need to modernize the content of education. The system of education must allow for continuing education and for a correspondingly broad formula of professional preparation, renewal and employee requalification.

4. We are opposed to the general commercialization of culture, which limits access to the benefits of civilization, including such basic benefits as books, periodicals, theatre, and film. The practice of most countries in which a market economy dominates shows that the laws of the market alone cannot be applied to many fields of culture. These fields must be stimulated and financed out of the State Budget and local budgets. The universal dissemination of culture should be fostered by suitable economic and organizational solutions which will make it easier for enterprises and other economic units to designate funds for this purpose from their own resources. We favor inexpensive, general access to books and the retention of libraries and cultural centers, especially in rural areas. Only a person who is spiritually rich and culturally active can be a conscious participant in social change and in the progress of civilization.

5. Among the fundamental values which comprise the primary goals of state social policy are concern for the state of health and the guarantee of systemic conditions to implement citizens' rights emanating from these conditions. We consider the urgent need to embark upon specific actions to halt the processes of the worsening of the state of society's health and the health service infrastructure. Health care that is free and is founded upon basic standards is a social gain which we must not abandon under any circumstances. The basic standards in this field also include guaranteeing the possibility of a vacation holiday for employees and their families in which the costs of the vacation, which citizens must absorb, does not exceed the resources of their household budgets, as well as guaranteeing a suitable level and general accessibility to physical education for school-age children and young people. Excessive commercialization in these spheres may do incalculable damage. Cooperation between the state, ecological organizations, and political forces to halt the destruction of our country's natural environment is essential. The strategy of economic development must be tied in with an active policy on ecology.

6. We are opposed to the concept of the total commercialization of housing management and to the state's abandonment of tenants' rights. The adoption of this concept would give access to housing only to the highest income groups and would deprive most of society, including young people in particular, of any real possibility of meeting their housing needs. It is indispensable that a limited number of communal dwellings be kept in

the hands of local self-governments, to be designated for the lowest income brackets. A significant portion of housing construction should be subsidized and should make use of preferential credits. The costs of obtaining and maintaining housing must remain in specific proportion to a family's income.

Housing construction can and should be an important element of the energizing of Poland's economic development. We recognize that it is necessary to ensure those conditions which will effectively halt the progressive regression of construction and will rapidly reduce the growing scale of unmet housing needs. Housing was, and is, the foundation of a family's existence and proper development. If housing needs are not met, concern for a family's welfare becomes an empty slogan.

7. The pension-annuitant system is in need of urgent reform. If the benefit-qualifying period is rated higher, this system should guarantee that the living standard attained by pensioners and annuitants will not drop. An effective system for valorizing pensions and annuities which makes possible the private expansion of the scope of benefits should serve this end. Given the increasing material stratification of society, the system of family, guardian, and educational benefits requires new solutions which will take into consideration the earned income level. Legal-organizational changes in social insurance institutions, primarily in the direction of increasing the economic autonomy and societal supervision of these institutions, are needed.

8. The development of a market economy, growing unemployment, and the stratification of family income place new demands on the public assistance system. This system should protect the poorest families against extreme poverty and it should help to organize the lives of people with limited ability to be self-sufficient. This results in the need to organize a new social aid infrastructure, especially in the territorial structure. The rapid, legally based regulation and practical application of its new principles is indispensable. In addition to the direct actions of the state, self-help initiatives and movements arising in the various social and territorial sectors should be stimulated and supported. We value charitable activity, including that of the various churches and religious groups. The state and local self-governments should greet such work with open arms.

9. We believe in the principle that the share of public consumption in the distributed national income should not drop during the 1990's. It must be kept in mind that this is a relatively low level in comparison with most European countries, and that we should assume that this share should successively increase.

10. The state-implemented social policy should be based on social agreements provisionally negotiated by the government, trade unions, and employers' unions which, in each instance, will take into account the current socioeconomic situation. Such an agreement should guarantee in particular minimal wages, annuities and



pensions, the share of wages, and public consumption in the distributed national income and the principles of housing policy, and it should define the allowable unemployment ceiling.

V.

The modern state has an important role to play in economic policy and it has a leading role in social policy. It is only under this condition that the concept of society's management of the market can be implemented. The state should treat social progress as an important lever for development. According to this principle, it should create the conditions and the means to implement social goals, utilizing to this end market mechanisms, legal-economic mechanisms, and administrative actions. We reject fundamentalism and doctrinairism in the approach to the restructuring of the system in Poland in favor of a pragmatic approach which assumes a variety of forms of ownership and equal rights

regarding the forms of ownership. Thus, the obligations of the state include the creation of a framework of social security and a definition of the basic principles of distribution of the national income, including the scope of collective consumption. We are in favor of a state of law, parliamentary democracy, and self-governing democracy. The state's institutions must ensure the treatment of every citizen as sovereign, and these institutions must create manifold possibilities for political, social, and cultural activism.

The experiences of developed countries prove that an active state social policy does not remain in conflict with a market economy. Meanwhile, the operation of market mechanisms can create more favorable conditions for tying in social progress with an increase in the social productivity of labor. Social Democracy of the Polish Republic believes that no economic program and form of systemic solutions can place economic goals over social goals, thereby striking a blow at the citizen as sovereign.

## BULGARIA

**Draft Program of G.S. Rakovski Officers Legion**

91BA0134A Sofia NARODNA ARMIYA in Bulgarian  
5 Nov 90 pp 1, 3

[Draft program of G.S. Rakovski Bulgarian Legion]

[Text] The G.S. Rakovski Bulgarian Legion, as an independent, patriotic, and professional organization of the Bulgarian officers corps mindful of the complex domestic and foreign political situation, the present status of the officer in society, and the continuous growth of the existing acute professional, social, political, and ethical problems of officers, believes that the organization's principal efforts for their solution should be aimed in the following directions: rallying of the Bulgarian officers corps around our national ideals; defense of officers' professional and civil rights; elevation of the prestige of the officer's profession; and heightening of the troops' combat readiness.

The G.S. Rakovski Bulgarian Legion believes that national values, interests, and ideals cannot be defined by narrowly partisan ad hoc ends, nor can they be exploited to serve such ends.

In this sense, we believe that the dismantling of the totalitarian regime in our country should by no means turn into a dismantling of the Bulgarian state or an uncontrolled destabilization of socioeconomic life. This process must not threaten the national security, the country's territorial integrity, and the nation's unity.

To ensure the defense of our national interests from a domestic political perspective, we declare our support for the following:

1. Constitutional and legislative affirmation of our state's unity, indivisibility, and Bulgarian national character.
2. Further affirmation of the complete depoliticization of the armed forces as a guarantee against attempts of political forces to use the army for their purposes.
3. Affirmation of Bulgarian national symbols (flags, coat of arms, anthem, and so forth) and of the military virtues as sacred things for the Bulgarian soldiery and for the entire people.
4. Constitutional and legislative guarantees of a ban on the existence of political and other public organizations that preach nationalism, chauvinism, and separatism, and whose activities are directed against the nation's unity and the country's territorial integrity.
5. Participation in and support of the activity of public associations (scouting organizations and clubs) for military and patriotic inculcation of the country's youth and population.

6. Amendment of existing legislation on Bulgarian citizenship in order to enable Bulgarians living outside the boundaries of the homeland to receive Bulgarian citizenship automatically upon request.

7. Restoration of all holidays, rituals, and celebrations of all memorable dates associated with victories of Bulgarian arms that have become symbols of the Bulgarian national spirit.

In defense of our national interests from a foreign-policy perspective, we shall uphold the following positions:

1. Continuation of an independent multidirectional foreign policy, based on the staunch defense of our national interests in the Balkans and in the world—a policy aimed at averting any violations of Bulgaria's independence, sovereignty, and territorial integrity.

2. Complete support of every national foreign policy aimed at the priority cultivation of relations with countries whose experience and resources can most effectively contribute to the extrication of Bulgaria from its crisis and strengthen our national security.

3. Assistance to the MNO [Ministry of National Defense] leadership in restructuring and establishing highly professional, maneuverable, and combat-ready armed forces that are capable, by themselves and in keeping with modern conditions, of deterring any aggression against our country.

4. Establishment of alliances in keeping with the requirements of our national interests and on the basis of equal partnership, independence, and national sovereignty.

5. Participation of the legion in drawing up laws affecting national security and defense.

Responding to the urgent need for democratization of life in the armed forces and considering the present resources and state of our national economy, we believe that the principal problems involving an officer's professional and social rights and the prestige of the officer's profession should be solved stage by stage and continuously.

#### **I. In the Sphere of Legal Protection**

We are for the speedy solution of the following problems:

1. Constitutional and legislative guarantees of the officer's inviolability and the normal course of his service regardless of the political situation.

2. Assurance of conditions and of legal and administrative guarantees for the independent and normal activity of the legion and its clubs in the armed forces.

3. Legislative regulation of the legion's right to appear as public guarantor and defender of the interests of the Bulgarian officers corps before bodies of state authority.

4. A halt to further reduction of officer cadres pending completion of military reform.

5. Participation of the legion in drafting the laws regarding the country's defense and the status of officers.

In the near term, we are for the following:

1. Participation of the legion in drafting the armed forces' new regulations.
2. Abolition of the practice of issuing statutory instruments that conflict with the laws relating to the armed forces.

## II. In the Sphere of Social Protection

The legion is for the urgent solution of the following problems:

1. Concluding an agreement with the heads of the departments included in the armed forces on all legal, social, professional, and ethical problems affecting the officers of the armed forces.
2. Arriving at a fair solution of the officers' housing problem. Retaining a three-year moratorium on the prices of dwellings purchased from the military housing stock at the price level as of 1 January 1990.
3. Guaranteeing opportunities for officers' wives to work. In the garrisons where this is impossible, they should be paid a monthly social benefit in the amount of the minimum wage for their respective educations and qualifications, with the time spent at these garrisons to be counted toward their work longevity.
4. Entitling officer graduates of the higher military academies to transfer pay in accordance with paragraph 134 of the Regulation on Pay and Allowances of the Bulgarian People's Army.
5. Amending the pay and ration allowance, with appropriate indexation to meet the rise of inflation.
6. Modernizing officers' leaves by calculating them only in workdays.
7. Bringing an officer's lump-sum compensation when he retires on pension into accord with the number of years served by him, with a nominal salary credited for each year served.
8. Granting authorization to officers of the armed forces to pursue intellectual and passive economic activity outside their official activity (shareholder participation in enterprises, including enterprises in the defense industry) and private medical, legal, designer, constructor, and other practices.
9. Abolishing any and all privileges in the use of the MNO's military rest and recreation facilities and assuring equal opportunities for recreation and treatment.
10. Abolishing privileges that pit different categories of service personnel (officers) against each other.

In the long term, we are for the following:

1. Compilation of a comparative table that will match military positions with positions in the state apparatus. The pay of a serviceman's position should be equalized with that of government civil servants. Pay for a rank should be additionally remunerated for the specifics of the job.
2. The clothing allowance of service personnel should be brought into conformity with world standards.
3. Reduction of the differences between base pay and the pension therefor, with the latter set at 80 percent of pay.
4. Abolition of any and all restrictions on the purchase of housing by service personnel. Formation of a fund—a percentage of one's pay—at the beginning of an officer's service, with which at the end of his service he should be provided with a dwelling of a size and in a settlement he desires.

## III. In the Sphere of Professional Protection

The legion is for the following:

1. The immediate introduction of a contractual system between the officers and the Ministry of National Defense and the other militarized departments.
2. The immediate drafting and adoption of a law providing for the mandatory hiring in the national economy, state, and local administration of officers retired on pension and discharged for redundancy and expedience, with consideration given to the positions they held in the armed forces, their educations, and their professional qualifications.
3. The immediate drafting of new regulations on the successive stages in an officer's service that will guarantee the natural professional maturation of key personnel, that will guarantee that an officer stays in a given post for no more than the envisaged period of time, that unfit personnel are dismissed from the armed forces, and that an officer is assured of immediately gaining the rank corresponding to the position he holds.

In the long term, we are for the following:

1. Assurance to officers of the opportunity and right to acquire a civilian specialty at the higher educational institutions after serving a minimum term of 12 years in the armed forces.
2. The awarding to an officer who becomes redundant or is discharged for expedience of an opportunity to enroll in a higher educational institution without an entrance examination and with a stipend equal to the pay for the position he held in the Bulgarian People's Army.
3. Elaboration of a new system for the admission of cadets to VVUZ's [visshe voenno-uchebno zavedenie; higher military educational institutions]. In the academic programs, cadets should be given thorough language and legal training.

4. Every officer in the armed forces should pass a mandatory, at least six-month, requalification course at a VVUZ or a civilian VUZ [higher education institution] at least once every four years.

5. The legion's clubs should make suggestions to the commanders concerned regarding specialized and continuing education of armed forces personnel abroad as well.

#### IV. Regarding the Defense of the Officer's Honor and Dignity

The legion declares itself to be for the following:

1. Formulation of the principles of an officer's honor and dignity.
2. Reexamination of the system of spiritual incentives for the Bulgarian officer, bringing it into line with the old traditions and improving it.
3. Provision for the moral and legal protection of officers and their families, should they be the targets of illegal actions and moral harassment by state agencies and organizations, political parties, and private individuals.
4. Revocation of all governmental, departmental, and other orders and edicts that place an officer in degrading dependence on agencies of law and order and other agencies of the state.
5. Revocation of all regulatory documents in the armed forces that in one way or another are contrary to the Constitution and the country's laws.
6. A rebirth and improvement of the traditions and rituals in greeting young officers promoted to their first and subsequent officer's rank, on their elevation in position, on transfer to other garrisons, and on retirement on pension.

### HUNGARY

#### Soviet Troop Withdrawal Since March 1990

91CH0267B Budapest MAGYAR NEMZET  
in Hungarian 30 Dec 90 p 3

[Unattributed article: "1,008 Trainloads Have Left Hungary Since March"]

[Text] Since 12 March, the date when the Soviet Southern Command began its withdrawal, 1,008 trainloads have left Hungary, Defense Ministry spokesman Colonel Gyorgy Keleti told the MTI [Hungarian Telegraph Agency] Saturday. This includes 436 troop carriers, 384 freight trains, 86 passenger trains, and 102 container trains.

The number of troop carriers and freight trains did not reach the planned levels. This can be explained only by a mistake made by the Soviet party in planning, because they were able to withdraw their units by using a smaller

number of trains. According to Ministry of Defense calculations, thus far these trains have removed 55,000 Soviet citizens—soldiers, civilian employees, and family members—almost 16,500 pieces of technical means, 13,326 vehicles with wheels, and 804 vehicles equipped with caterpillars, as well as 708 tanks, 1,030 other combat vehicles, and about 234,000 tons of material to the Soviet Union.

In the framework of Hungarian-Soviet expert negotiations which deal with issues pertaining to Soviet troop withdrawal, the parties came closer to agreements regarding the possible establishment of joint enterprises, the reconciliation of methods by which vacated establishments are being transferred and accepted, and further, with respect to real property which is of no further use. At the same time, after several weeks of negotiations, they were unable to agree on methods by which environmental damage may be assessed. The Soviet party intends to discuss damages caused by oil derivatives only, while the Hungarian viewpoint holds that during their stay in Hungary, Soviet troops caused significant damage to nature, forests, waters, and the soil by depositing various polluting materials. The examination and assessment of such damages continues.

#### Military Relations With Romania: Agreement

91CH0267A Budapest MAGYAR NEMZET  
in Hungarian 15 Dec 90 p 4

[Article: "Agreement Concerning Hungarian-Romanian Military Relations"]

[Text] As known, Hungarian Defense Minister Lajos Fur and Romanian Defense Minister Victor Stanculescu reached an agreement last October concerning the principles of further cooperation. This agreement was reached in the course of negotiations that took place near the border, in Gyula, and in Arad. Recently, in response to an invitation extended by Lieutenant General Laszlo Borsits, chief of staff of the Hungarian Honved Forces, Colonel General and State Secretary Vasile Ionel, the chief of staff of the Romanian Army, paid a visit to Hungary. On this occasion, the two [generals] signed an agreement on cooperation between the two Armies, and Lajos Fur initialed the overall agreement between the Hungarian and the Romanian Ministries of Defense. The agreements went into effect last week, when Victor Stanculescu signed the agreement in Bucharest.

In the framework of the overall agreement, the ministers established the fact that development of relationships between the two Armies is possible, and that the development of such relationships would contribute to increased mutual confidence between the Hungarian Republic and Romania, as well as between the two nations. The possibility of developing relationships between the two Armies exists because of the radical changes that took place in the two countries, the development of the international military policy situation, efforts made by European states to increase confidence,



stability, and security and to improve international relations, and further, an increasing number of forces proclaim the democratic, free, and independent development of peoples and nations, which may provide a guarantee to European people in their pursuit of creative lives. This is all because of the stabilizing role played by armies in developing good neighbor relations.

The agreement signed by the two chiefs of staff constitutes a supplement to the ministerial document, and contains specific areas and work forms for mutual cooperation. The contents of this agreement will be updated annually.

Above all, the agreement enables mutual familiarity with the [two] national military doctrines. It projects visits by delegations from various levels, the establishment of mixed cooperative committees at the staff level, and further, between air defense and air force, and higher units of land-based commands along the border, the establishment of mixed working committees for the leadership and direction of military forces which might be assigned to mitigate the consequences of possible natural or industrial disasters in the border areas, among other matters. The agreement contains invitations to military exercises at the staff army and army corps levels, as well as to military exercises in the border area conducted by the army or by divisions. It also contains invitations to communications and other warfare exercises along the border, sharp shooting exercises at the unit and subunit levels, and further, invitations for the mutual visitation of vessels belonging to the Danube fleets of the two armies.

The document enables visits for the purpose of information exchange at training centers, military intermediate schools and colleges, and military academies. It enables the evolution of brotherly relations between units stationed along the border, for the purpose of becoming mutually acquainted and for the maintenance of the friendship of good neighbors. The agreement also enhances scientific cooperation in several fields between the two armies, such as information exchange between military historians, the intensifying of scientific historical research concerning events in which viewpoints differ based on the two nations' histories. The agreement envisions the establishment of mixed groups which care for historical monuments located within the territories of the two countries. It also enables the further development of cooperation in the field of publishing and the press, as well as with respect to culture and sports.

In the framework of the agreement the chiefs of staff made specific mention of national holidays and army days, among other matters providing for ceremonial meetings, scientific conferences and the organizing of exhibits, and committed themselves to lay wreaths on each other's monuments, and historical sites.

With the expected termination of the Warsaw Pact military organization, a new security policy situation evolved in Central Europe. From the standpoint of the

region's stability, bilateral military agreements between neighboring countries, which constitute part of the general relations between the countries involved, are of utmost importance. Among such agreements, Lajos Fur and Victor Stanculescu were first to sign a Hungarian-Romanian overall military agreement, which, as intended by the two defense ministers, will openly and directly contribute to the further development of confidence between the two countries and their armies once the agreement is implemented.

## POLAND

### Antiterrorist Unit Composition, Training Discussed

91EP0170A Warsaw POLSKA ZBROJNA in Polish  
10 Dec 90 p 3

[Interview with unidentified deputy commander of Capital Police Command Antiterrorist Division by Robert Kowal; place and date not given: "Commandoes on the Wisla: The Police Officer Fires Only One Shot"]

[Text] [Kowal] Lieutenant, I am disappointed in you! You are the complete opposite of the antiterrorist brigade commando usually pictured by the average citizen. I was prepared for an interview with a Rambo type....

[Commander] Exactly. A portion of society wants to see us as athletes and musclemen who use our heads only to wear berets. Stereotypically, a member of an antiterrorist group must be big, strong, and stupid. Meanwhile, our people are qualified in many ways. First and foremost, they have much general and professional knowledge and more-than-average physical prowess. We are not the bloodthirsty mongrels we are sometimes made out to be.

[Kowal] Aha, we are going to divulge secrets here. I am going to enjoy this....

[Commander] Well, they are not really secrets, but things that people do not talk about in public.

[Kowal] What, then, are the tasks of the division and who is involved with implementing these tasks?

[Commander] The purpose of the unit is to physically combat acts of terror and terrorism. For the sake of clarity, terrorism has a political undercurrent, while terror is criminal. Terrorism practically does not exist as yet in Poland. We deal on an everyday basis with acts of terror committed by ruffians. This type of crime, which is characterized by a great deal of ruthlessness and boldness on the part of the perpetrators, is on the rise. In addition to these actions, we participate in rescue campaigns during natural disasters, we provide security during visits of important statesmen to our country, and we protect Polish VIP's.

[Kowal] Next year the Holy Father will pay another pastoral visit to Poland. Are you involved in the preparations for this pilgrimage?



[Commander] Just as we were involved during previous visits, we will once again help to protect the pope. A special ministerial team appointed by the foreign affairs minister is involved in security preparations for the upcoming visit. Our tasks have already been defined, although practically speaking, we receive no special training in this direction. Our training in the unit is ongoing.

[Kowal] What principles constitute the basis of your training?

[Commander] The primary principle is daily physical, tactical, and theoretical training. In addition to this, all are obliged to take part in training camps: parachute training camps, mountain climbing camps, diving training camps, and skiing training camps. The purpose of these camps is to acquire the maximum number of skills and competence, for example, in the area of miner-engineering work, sniper fire, and free diving. Some of the people who come to us already have the corresponding skills. For this reason, colleagues train each other. We also have good contact with the GÖPR [Volunteer Mountain Rescue Service] and we make use of the help of instructors and military equipment, such as helicopters. We are aiming, however, at self-sufficiency.

Every police officer from the division should know how to service the equipment with which the unit is supplied. In addition to such general skills, however, each officer has his own specialties. One is a diver, another a "city Alpine climber." There is one section which, in addition to implementing general tasks, specializes in diving and doing underwater work, for which it engages in systematic training exercises. There is an Alpine climber's section, a sniper's section, and a miner-engineering section. We work in shifts. The on-duty section is already fully ready to act while the others are training.

Daily marksmanship training and hand-to-hand combat or, possibly, wrestling, are compulsory for all. In addition to the physical part of the training program, however, there is likewise the academic content. We conduct theoretical tactical training from the range of fields related to our work, for example, communications and the physiology of vision. Every person has the right to become proficient in the subject that interests him the most. To put it quite simply, the people who serve with us are people of passion. For my part, I trained in the West; my specialty is "city Alpine climbing."

[Kowal] In the military the day begins with a workout.

[Commander] In our division we have a five-km run. This is the distance needed to warm up the muscles. Then we have mat exercises or go through a 300-meter obstacle course. All this requires enormous effort, but because of it our people feel surer of themselves and are aware that if necessary they can count on the support of their other colleagues.

[Kowal] What are your basic weapons and equipment?

[Commander] The basic personal weapon is the Smith revolver—a Wesson 0.38 special, of approximately 9 mm caliber. At one time every antiterrorist unit was equipped with this type of weapon because it was reliable. Years of experience, however, have shown that this reliability was an illusion. The revolver very often jams and this defect is harder to eliminate than in a pistol. Moreover, the chamber of the revolver holds only six bullets and it takes too long to change ammunition. Often this can cost a life.

The world is getting away from using revolvers and we would like to do this too. We are considering a pistol that can store 15 to 16 rounds, for example the Glog 17 or the CZ 75. We must also purchase new machine guns from the West. The P-63 has all the shortcomings that a weapon of this type can possibly have (used, of course, under our conditions). Both the Rak and the AK small-caliber rifle are excellent weapons for terrorists; it is not without reason that they are "advertised" in Western sensational films. A heavy stream of a large number of bullets is impressive but not very effective. Our task is to shoot selectively: not a hair may fall from the head of a hostage or a person standing beside the one at whom the gunfire is directed. The first shot must do it, for there may not be an opportunity to fire a second time.

We also have several AK GN small-caliber rifles with a nightscope, but we are also planning to do away with this type of weapon. The unit also has bulletproof vests manufactured in England. However, soon we shall obtain Polish-made vests, with at least similar technical parameters.

[Kowal] What conditions must a young man fulfill in order to be assigned to the KSP [Capital Police Command] Antiterrorist Division?

[Commander] I already mentioned the fact that he must have better-than-average physical prowess. This is the foundation for further training. He likewise must hold the category of parachutist; hence, some of our people constitute reservists of the 6th Storm Landing Brigade.

Every young man who would like to serve in our division should have proof of a secondary school education and should present himself to the KSP personnel department. After talking with us, he receives a physical exam. On this basis, the experts determine the level at which he will take his further training. If the test results are positive, the candidate then passes through the typical procedural route qualifying him to serve in the police force.

[Kowal] What is the average age of a member of the unit?

[Commander] About 26. A very young man is typically overly committed emotionally. A somewhat older man is biologically predisposed to full physical competency, in addition to being discreet and experienced.

[Kowal] This past summer, so-called public opinion became excited about your role in the "George" operation in Warsaw's suburbs that was almost filmic in quality? Shall we talk about others?

[Commander] Pardon me, but to talk about them would be like cutting off the branch on which we are sitting. As I have said, we provide security for visiting VIP's. In the past, for example, we guarded President Bush and Mrs. Thatcher. We helped foil an aircraft hijacking attempt by some people who drove a bus filled with passengers into Okecie. We also participated in a campaign to eliminate "measured out" loads of explosives placed in public service locations.

[Kowal] To what extent is the legend of your prowess true and to what extent is it the stuff of the imagination?

[Commander] Two years ago we took part in an international competition of antiterrorist units held in Austria. Results obtained in three multicombat competitions determined the final outcome. These competitions were an individual obstacle course, a marksman's course, and a team course composed of such stages as clearing doors of mines and shooting at an appropriate target. We placed fourth after Austria, Germany, and America in very stiff competition. During the meet we became acquainted with our colleagues who work in the West. I can assure you that not one of them was a Rambo!

[Kowal] The wages...

[Commander]...are like those in other police units. For a long time we have been struggling to obtain the same rights as WOP [Frontier Guard] border crossing inspectors in terms of receiving credit for one and one-half years of service for every year we serve. In this case, however, our struggle has not been effective....

[Kowal] Then I wish the employees of police antiterrorist units total effectiveness in their actions. Thank you for the interview.

### **New Method for Armor Scrapping Outlined**

91EP0176A Warsaw POLSKA ZBROJNA in Polish  
10 Dec 90 p 3

[Article by Zdzislaw Lasota: "Hitting a Tank With a Ball"]

[Text] The first tanks to end up at the Enterprise for Processing Scrap Metal in Dabrowa Gornicza were cut up by blowtorches for eight to nine days each. A special crane was used for this work. It turned out that, after summing up the cost of transportation and processing scrap metal and comparing these numbers with the sale price, this method of processing military materiel retired from service does not make sense for the enterprise.

The content of the well-known saying, "necessity is the mother of invention," was proven right yet another time. Three people, Waldemar Mazurek, Andrzej Mikolajczyk, and Krzysztof Szczepaniak, invented a way to scrap

18 tanks per day. There is one technical condition which the enterprise sets for the army: tanks earmarked for scrapping should have the barrels and engines removed and should not be stuffed with dangerous materials. At issue are not only shells but also any remaining fuel and lubricants. When the tanks were cut by blowtorches there was a case where a worker was burned by fuel that caught fire.

### **An Idea Deserving a Patent**

The new method of processing heavy military materiel for scrap is safe and very productive. It is also considerably cheaper than the one previously used. It is based on impact breakage of large elements of tanks (turrets and hulls). After the wheels and tracks are removed, a tank is placed on a special anvil, at the bottom of something resembling a huge pear hollowed out in the middle and truncated at the top. An operator lifts a special eight-ton steel ball by a special electric magnet 20 meters up and drops it on the tank. After a dozen or so of such drops what used to be an armored vehicle becomes scrap for metallurgical furnaces.

This method turned out to be simple and easy to implement, and this is its considerable advantage. However, at the beginning it was not at all obvious. Several dozen balls were sent back to be melted down again. They arrived at the optimal ball by trial and error. The same was the case with the anvils. Both these parts should be made of a special steel alloy. The objective is for them to break the steel parts of tanks which are, after all, of a particular shape, without sustaining any damage in the process. Therefore, the essence of this invention boiled down to finding the respective chemical composition of these two elements—the ball and the anvil. It was determined successfully. The idea is protected by a patent.

The way of hitting [the tank] with the ball and the positioning of the parts being broken are extremely important for this method of destroying heavy materiel. An inaccurate hit will have little effect, and it may destroy the ball. Waldemar Mazurek stresses that, "The ball must hit particular places on the tank." Only the experience that the people doing this work have gained makes it possible for them to destroy what has been earmarked for scrapping.

### **Who Will Buy Tank Scrap and for How Much?**

No iron mill can do without scrap. For example, the Katowice Iron Mill requires about one million tons of scrap to produce 4.5 million tons of steel. It received about one-half of this amount precisely from the enterprise in Dabrowa Gornicza. Last year, 80 tanks and 120 armored carriers and infantry combat vehicles left a mark—a total of about 2,000 tons—in this amount. The year now ending will result in substantially lower numbers.

There are no takers for the scrap made of military materiel. Representatives of the enterprise see a reason

for this state of affairs in...procurement prices for scrap and the high cost of its transportation. These amounts, to which the cost of processing is added, determine the sale price. In the opinion of the iron mills, this price is too high because military materiel is not the best material.

It is difficult to find an enterprise at present which produces goods to be stored or warehoused. Scrap-processing enterprises likewise purchase and process what they can sell to a specific iron mill or a specific foreign partner. Scrap with dimensions which are not too large, and primarily with a certain chemical composition of steel, is sought after the most. However, the specifications of tanks ironically differ greatly from the requirements of iron mills. The variant of producing...a new tank from tank scrap is rejected in principle.

Tanks are large, and hence the high cost of transportation is determined to be 250,000 zlotys per ton. This is not visible to the naked eye, but metallurgists know that tracks are made from a different kind of steel than, for example, wheels, and hulls and turrets are made from yet another kind of steel. They need to be segregated before being sent to the iron mill. Iron mill workers will still be dissatisfied. In most of this scrap the content of chromium and nickel is too low to consider it alloy steel and too high to consider it regular steel.

The difference is not only in name. The kind of scrap imposes a particular technological process on the iron mills, and therefore on costs, in the process of producing steel. As Engineer Krzysztof Szczepaniak stated, "As a result the iron and steel mills are not particularly interested in purchasing this type of scrap." They also take into account its chemical purity. For example, they see to it that there are no phosphorous compounds in the varnish. Therefore, scrapped military materiel cannot be expensive if those wishing to purchase it are to be found.

Deputy director of the enterprise for production and commerce stressed: "The most important point is to find buyers for scrapped tanks." Everything depends on the price. He also explained that there would be takers if the scrap were to be obtained free of charge and the cost of transportation were not included in the sale price after processing.

The Vienna agreements on conventional arms reductions in Europe determine the level of tank, armored vehicle, and artillery system materiel of individual armies. As a result, much materiel of this kind will end up being scrapped. The enterprise in Dabrowa Gornicza is one of the few plants in Europe which can undertake processing this scrap on site at the enterprise, asking about \$80 for processing one ton of scrap, or in the country which makes such an offer. In this case, experienced workers will arrive with the necessary equipment. One team may scrap up to 500 tanks per month. "We are prepared to form a company with the participation of foreign capital in order to use the concept and the technical potential of the enterprise." It makes no difference to them whether they destroy the materiel of the armies of NATO countries or those of the Warsaw Pact.

They are open to suggestions. They do not intend to take advantage of detente to fleece their potential clients. Scrapped materiel will never account for most of their output anyway. However, someone will have to process this scrap on certain terms. The enterprise from Dabrowa Gornicza offers its considerable human and technical resources.

The enterprise is already proposing to hold a trilateral meeting of the representatives of the iron mills, the army, and people from their enterprise, in order for the processing of this scrap to proceed smoothly in the future. It is worthwhile to determine the terms and the timing of the delivery of scrapped materiel and to determine the price for selling the processed scrap.

## CZECHOSLOVAKIA

### Volkswagen Negotiates Deal With Skoda

#### Hahn: Reasons for Decisions

91CH0218A Hamburg DER SPIEGEL in German  
17 Dec 90 pp 90-93

[Interview with Carl Hahn, chairman of the board of Volkswagen [VW], by Dietmar Hawranek and Wolfgang Kaden; place and date not given: "With Twin Parachutes"]

[Text] [SPIEGEL] Mr. Hahn, is VW finally overextending itself with its Skoda venture?

[Hahn] The word finally is already totally incorrect. We have never overreached ourselves yet with one of our new projects. This is shown by our subsidiary Seat in Spain, our production in Shanghai and many other projects that, quite to the contrary, have significantly strengthened our position.

[SPIEGEL] Is VW not undertaking too much for the future: You want to invest 10 billion German marks [DM] in Skoda, DM5 billion in the former GDR, DM1.5 billion for a Golf factory in China—all that in addition to the normal investment program?

[Hahn] Viewed in isolation, each of the projects under discussion today is extremely healthy and has a promising future. In the case of each single one of them, it would be more risky not to undertake it than to undertake it.

[SPIEGEL] By 1995, VW plans to invest DM52 billion instead of the planned DM30 billion. Will the company have to go completely into debt to do so?

[Hahn] The debt will increase slightly from time to time, but never in such a way that our stockholders and workers would need to be concerned. We can finance it for the most part out of our current business. The full amount does not come due in one year. For example, the investments in Skoda will not really begin until the wave of Seat investments, which is likewise DM10 billion, has come to an end. We also have record liquidity of DM13 billion, which will act as a safeguard and security for the future. You can see we are jumping with twin parachutes.

[SPIEGEL] The reaction in France to the Czech decision is not very friendly: all the talk is about an excessively powerful Germany, about a new "protectorate."

[Hahn] The few extremely negative commentaries should not be given undue weight. I have here on my desk French articles that see in it simply an economic decision by the CSFR. One should not make a national or historical question out of it right away.

[SPIEGEL] Has the duel between Renault and VW for Skoda not degenerated in the end into a struggle for prestige, in which price no longer plays a part?

[Hahn] Not at all. Our offer was convincing and credible in its entrepreneurial plan. We have already demonstrated with our Spanish subsidiary Seat that we offer adequate autonomy to an enterprise we take over, that we do not just keep the make alive but strengthen it consistently and preserve its national identity.

[SPIEGEL] Were all the decisions made only with a cool head, or did emotions play a role as well?

[Hahn] Reason is the basis, without question. But if one has a few personal connections in addition, one discovers the opportunities in this part of Europe a little earlier. That was definitely the reason that we were the quickest ones to get there.

[SPIEGEL] What are your personal connections?

[Hahn] My family is from southern Bohemia, from the Budweis [Ceske Budejovice] area. My father still spoke Czech. Naturally, this allows one to acquire a very good feeling for the great opportunities in this country. Two years ago we became involved with the Favorit car from Skoda and installed a VW engine. It fitted.

[SPIEGEL] We have learned that VW is out in front in the conquest of East Europe. One company seems to be even quicker: Fiat already has locations in the Soviet Union and in Poland. Do the Italians have a better starting position?

[Hahn] Let us assume that that is the case. Then the Skoda venture is even more the right thing, because we would finally be creating a starting position for ourselves as well. It is correct that Fiat has ties of many years standing with East Europe. But a factory in the Soviet Union...

[SPIEGEL] Fiat is nonetheless participating in a factory to build 900,000 cars annually.

[Hahn] I would rather have a factory for 200,000 to 400,000 cars per year in the CSFR.

[SPIEGEL] East Europe offers gigantic chances for auto companies, but also enormous risks. What is your estimate of growth in East Europe?

[Hahn] The development of a market economy is starting in the CSFR that will require great sacrifices. It is preventing the import of automobiles simply because of the lack of hard currency. So one has to be active early in the CSFR and the entire CEMA market, where 100 million people live, not counting the Soviet Union. Otherwise one would have to ask himself why the opportunity in this market is being let slip.

[SPIEGEL] Skoda currently needs 21,000 people to manufacture 180,000 cars in a year. A General Motors



manager said: We do that with 4,000. Will VW have to carry out massive layoffs right away with its new acquisition?

[Hahn] The man from GM has certainly not seen the factory in Mlada Boleslav. Because then he would say, that given the manufacturing depth of Skoda, from the forge to the foundry, from the engine plant to the transmission plant, no manufacturer in the world could produce 200,000 cars with 4,000 people. The standard in the West is wrong anyway. Wage costs in the CSFR are on quite a different level, so there is not the same need for mechanization as in the West. Moreover we will double production at Skoda in the foreseeable future. So there will be no dramatic developments in the number of employees.

[SPIEGEL] Where do you plan to sell the cars manufactured at Skoda in the future, all across East Europe or in western markets?

[Hahn] The West European market is the direction of our main thrust. We have demonstrated with Seat that we can build up a dealer organization overnight, which today is selling more than 350,000 Seats just in western Europe. So if we say we want to raise Skoda production gradually to 400,000 and sell the increased number mostly in the West, that is not unreasonable.

[SPIEGEL] Do you believe that Western customers have been waiting for a new car with the Skoda name?

[Hahn] The Skoda Favorit looks good and in its basic design it is a modern automobile, Western in character and in the best Skoda tradition. It also has great design similarities with Volkswagen models. Just one example: The rear axle of a VW Golf and a Skoda Favorit are very similar. We can develop this car further very quickly and make it even more competitive. About 50,000 Skodas are already being sold in the West.

[SPIEGEL] But Skoda is making those sales at a loss and at dumping prices. Do you plan to continue selling the cars under the Skoda name?

[Hahn] The Skoda name has a good reputation among car owners, it has a long tradition.

[SPIEGEL] It sounds a little like minimum cost production and a little like socialism.

[Hahn] Not at all. No one associates that with the Skoda trade name. Skoda stands for pioneering technical achievements.

[SPIEGEL] The entire Skoda enterprise has been operating at a loss in the past few years. Will VW assume these losses?

[Hahn] A new company will be established, free of debt. Skoda is a very important political signal for privatization, for the market economy and for international investors in Czechoslovakia. Initially we will assume 31

percent and increase this amount to about 70 percent by 1995. The remaining 30 percent will probably be widely distributed shares.

[SPIEGEL] When will the first Volkswagen come off the assembly line in Czechoslovakia?

[Hahn] We will start by building Skodas. There will be additional Skoda models, in order to build up a strong dealer organization. But we will have to give some thought as to how we create additional capacity for the VW trademark.

[SPIEGEL] You also plan to build Volkswagen models in the CSFR, the Passat for example?

[Hahn] The idea is not farfetched, but it is getting ahead of our current discussions.

[SPIEGEL] Is the construction of a Golf factory in Mosel near Zwickau superfluous as the result of the Skoda venture?

[Hahn] Absolutely not. Eastern Germany has expanded the market for the German auto industry by half a million cars; that is beyond our expectations. All our structures were based on the estimate that annually about 2.7 million cars are sold in Germany. Now all of a sudden, if we look at it conservatively, we have 750,000 more cars over the next 10 years. We do not have the additional needed capacity available.

[SPIEGEL] Demand for automobiles is already declining this year in several European countries. Are you not building additional capacity in Mosel that will be superfluous in a few years?

[Hahn] We plan to produce 250,000 cars in the former GDR. At the same time we are eliminating a capacity of 250,000 cars...

[SPIEGEL] Trabant production...

[Hahn] ...so the net capacity in Europe will not be increased. And today we have a six-month waiting list. We have back orders such as we have never had in our history.

[SPIEGEL] That will not necessarily remain so.

[Hahn] Nothing necessarily has to remain so. If one assumes that everything will turn out badly, then one should not be in business. And of course one can proceed from the position that every risk in an investment prevents one from investing. But then one guarantees the risk that one will never control the future.

[SPIEGEL] You are now concentrating completely on East Europe. More than two years ago, you closed your factory in the United States, the most important automobile market in the world. Are you neglecting the U.S. market?

[Hahn] It is logical that we are devoting ourselves today to what has opened up overnight on our doorstep. But at

the same time we have not neglected the Western markets. For example, investments at Seat were strengthened, we have a new transmission factory under construction in Argentina, in Mexico...

[SPIEGEL] We were talking about the United States.

[Hahn] Just a moment, I am getting there. We are manufacturing Golfs and Jettas for the U.S. market in Mexico, we have already doubled production there twice. We had to close the VW plant in Westmoreland because the U.S. prices in our vehicle category are set by Asian automobile manufacturers. It was a correct decision. With the closing of Westmoreland and the shift of production to Mexico we created the conditions for our successful stabilization in the United States. There we are the only Europeans who are in the black in sales.

[SPIEGEL] You are losing DM1.5 billion in the United States.

[Hahn] That number is completely wrong. It is right that competition in the United States is extremely tough; neither domestic nor foreign manufacturers are achieving great financial results there this year. Mexico is a minimum wage country, from which we can supply North America at competitive prices. With this linkage we are well equipped for the fight for the U.S. market.

[SPIEGEL] Would it not make sense to manufacture in the United States in conjunction with a U.S. company?

[Hahn] No, we have a better location with Mexico.

[SPIEGEL] You sell Skoda and Seat in order to have a presence with your own factories in the respective markets. But for the United States, this principle is not supposed to hold true. Mexico is not North America.

[Hahn] United States President Bush and Mexico's President Salinas did us a favor in this respect with the signing of the free trade agreement, which gives us practically unrestricted access to the United States from Mexico. So Mexico is one of the best locations that one can wish for in this region.

[SPIEGEL] This year the VW company is selling more cars than ever before. But profits are sagging; before taxes they will probably fall from about DM3 billion to DM2.3 billion. Have you been paying too much attention to volume and too little to the financial result?

[Hahn] With the decline in our pretax profit we escaped lightly in comparison to many of our competitors. Consider that we have to fight battles in North America, that we had enormous problems in South America in the first half of the year, that marketing costs in Europe have risen. If we were able to conclude the year so well, we owe it to the fact that we were able to carry out our cost cutting program more quickly than planned.

[SPIEGEL] You once said that a company like VW needs a profit before taxes of DM4 billion in order not to slip into red ink in the event of declining sales.

[Hahn] That is correct. We have definitely taken a step backwards; we have to recognize that levelheadedly. We are not exactly happy about it, but we do not have to hang ourselves right away.

[SPIEGEL] Once again: Did you wager too much on high volume?

[Hahn] In spite of high expenditures in some markets, it has never been easier for us to sell well than this year. While many competitors are suffering from slumping sales, we have waiting lists. We have fully exploited our strength in the market and we have not bought it with cut-rate prices, but with better products.

[SPIEGEL] Mr. Hahn, your contract as chairman of the board was recently extended again for two years.

[Hahn] Now you can see why.

[SPIEGEL] Are you sure that you are doing yourself a favor?

[Hahn] It is not a question of a favor for me. I began these projects. I should also be responsible for them in the difficult phases that will certainly come.

[SPIEGEL] Might it not be possible that your retirement in 1993 will be less honorable than it would be in mid 1991?

[Hahn] There is never a guarantee for the circumstances under which one retires. I am fully aware of these risks. But I believe that one should really rise above such considerations. I am enjoying my work, primarily when it helps the company. I am happy to stay for two more years.

[SPIEGEL] Mr. Hahn, thank you for this conversation.

### Renault Stunned by Contract

90CH0218B Hamburg DER SPIEGEL in German  
17 Dec p 93

[Unattributed article: "German Steamrollers"]

[Text] They really tried everything. Even Francois Mitterand, visting Vaclav Havel in Prague in September, tried to persuade his colleague.

It was to no avail; the "blitzkrieg by German industry" (LE FIGARO) destroyed France's illusions, and, initially, caused politicians and businessmen to forget their restraint.

For months the French have been more inclined, at least officially, to accept German reunification calmly. But when it became evident that VW and not the French automaker Renault is being allowed to gain entry at the Skoda Works, emotions and old fears surfaced. Renault chief Raymond Levy went so far as to make the comment: "There is no need to create a new German Reich."

A news announcer on TF [French Television] 1, the first channel, spoke, in German, of "Greater Germany." Comments of this nature revealed uneasiness and irritation, but also a feeling of inferiority in the face of what is supposed to be an overwhelmingly powerful Germany.

The Germans rolled over Renault like "steamrollers," in the words of one commentator, and the defeat was all the more painful because the French did not regard the dispute with VW as the customary competitive struggle of two concerns. The competition for Skoda was regarded more as a national challenge.

"Those who wanted to make a symbol out of this duel, namely that of a French alternative to the predominance of Germany in East Europe," the weekly L'EVENEMENT DU JEUDI noted, "will have a painful awakening: The East remains the hunting ground of Germany."

Rarely has a French industrial enterprise been willing to invest so much abroad. Rarely have French politicians become so clearly involved on behalf of a project. The Skoda decision was consequently for Minister of Industry Roger Faroux, "a defeat for France's industry."

For years French enterprises have tended to view economic developments in the East with indifference. Skoda was to be the turning point.

Premier Michel Rocard, who received a Czechoslovak delegation, made it clear to the visitors from Prague that France and Renault could be the bulwark against the German grab for the economy of the CSFR. Minister of Industry Faroux promised favorable conditions for other industrial projects, if the decision were in Renault's favor.

The Renault representatives, who travelled to Prague—there were 12 delegations just in November—did not seem like managers to the head of the Prague government Marian Calfa, but like "individualists, who are clearly more accustomed to visiting ministries than factories." He at any rate thought: "The Germans understand our mentality better."

In retrospect those involved suspected, of course, why France really never had a chance. The cultural links between the Czechoslovaks and the Germans, their common border, technological cooperation developed over the course of decades—that is all now being cited as the reason that everything turned out the way it was bound to turn out. But for many Frenchmen, the decisive factor was, of course, the "cash billionaires" (L'EX-PRESS) from VW.

#### Law on Small Privatization Examined

91CH0144F Prague HOSPODARSKE NOVINY  
in Czech 14 Nov 90 pp 8-9

[Article by Jaroslava Svobodova, doctor of law: "Commentary on Small Privatization Law"]

[Text] On Friday, 28 October, HOSPODARSKE NOVINY published the text of a law concerning the

transfer of certain items from government ownership to the ownership of physical individuals or legal entities. Today we publish a detailed commentary on this law.

#### Section 1. Scope of the Law

The law limits transfers to physical individuals or legal entities to only certain government-owned property. It is not possible to transfer the claims and property rights of the government.

The concept of a right to manage is anchored in the commercial code. This right is exercised by the organization entrusted with tasks the performance of which will be facilitated all or in part by the property in question.

The right to manage can be generally described as a right, based on which a legal entity that is not an owner can exercise basic ownership actions (hold, use, and disposition) over things entrusted to it by an owner, and which it acquired by its own efforts. The right of management represents, then, a way to exercise basic ownership rights not directly by an owner, but by an organization or organizational entity, designated by the owner, that has a legal identity. The holder of management rights, at the same time, acts in its own name and bears final responsibility.

The fact that the law can be applied only to management rights cases limits its effectiveness. It does not apply to any legal entity that owns property. Privatization, therefore, under this law, will not apply to things held by a corporation, for instance, other types of businesses, or cooperatives.

#### Section 2. Object of Ownership Transfer

This provision relates to Section 1 in the sense that it makes more precise the definition of the term "certain property." Property comprising the operating part of an enterprise or organization can be transferred. Logically, this implies that it will not be possible to exclude from this operating part anything that would cause the organization to lose its identity as an economic and property unit. For instance, if a tailoring business is to be transferred, the sale will include all the equipment in the enterprise. It will not be possible, for instance, to exclude the sewing machines.

Real estate is considered land and buildings connected to the ground with a solid foundation. All other things are normal property.

The provisions of Section 2 were included in the law to assure legal certainty for people whose residence or headquarters are in another country. There can be instances, after all, when a government enterprise, a budget or off budget organization, or a national committee might leave a contract concerning enterprise operation to such people.

This law provides that during privatization there must be absolute certainty that a government enterprise or other organization has clear and unlimited right to manage the object of privatization. This is an absolutely essential application of the law. Another clear application of the law is to make certain that things that should come under privatization are not things to which former owners or their heirs might assert a claim. In such instances the law cannot be effective.

### **Section 3. Business Ownership**

The potential to buy a business is limited in two ways. First, it is limited to physical persons or legal entities founded exclusively by physical persons. This is meant to encompass all kinds of businesses; corporations, public businesses, limited liability corporations, partnerships, and stock partnerships.

Special interest associations formed by physical persons must be considered similarly. This kind of venture is codified in the updated commercial code in the provisions of Section 360b. These persons must be citizens of the CSFR. The law fully applies as well to persons who were Czechoslovak citizens after 25 February 1948.

### **Section 4. Means To Sell Businesses: The Public Auction**

Under a draft Czech National Council Law on the authority of Czech Republic offices on matters related to the transfer of ownership of certain government property to physical persons or legal entities, the CR Ministry for National Property Administration and Privatization is named as the office responsible for these transfers. Provisions are expected to be similar in the Slovak Republic. The above law specifies the authority of the CR Ministry for National Property Administration and Privatization to establish regional government property privatization commissions. There will be a special commission for Prague, the Prague commission for government property privatization.

The ministry will supervise the activities of these commissions and also monitor compliance with regulations concerning ownership transfers for certain types of property. Commissions will be established in all districts of the Czech Republic, and in the capital city of Prague. The CR Ministry for National Property Administration and Privatization will also name members to these commissions, based on nominations submitted by national committees. It is expected that commission members will be from regional national committees, business groups, representatives from the Union of Cities and Towns, and individuals from appropriate union offices. Commission members will elect chairmen. The law also establishes the decision making procedures to be followed by the commissions. A commission can make a decision only when a quorum of more than 50 percent of the members is present, and the decision must be approved by a two thirds majority of those present. Commissions can make their decisions by vote.

The pertinent national committee, or the national committee of Prague is responsible for the organizational, technical, and financial support of the commissions.

Because a single commission for each district could not quickly handle the preparations and tasks involved in privatization, and furthermore because individual commission members cannot be aware of the specifics of each individual location in a district, sections will be set up in the territorial divisions of local, city, and district national committees. These sections will have representatives from the local, city and district national committees whose businesses are being privatized. The task of these sections is to set the groundwork for commission decision making and to handle the details related to the sale of businesses. Section activities are under the complete authority of the commissions.

Regional privatization commissions will select businesses for privatization. After selection, the commissions are required to negotiate a final list of businesses to be privatized with the appropriate national committee, and of course with the founder or manager of the enterprise whose business unit is to be privatized. After the final selection, the commission compiles a list of businesses that will be offered for sale.

The information that these lists must contain is defined by law. This means that if a list does not contain all the data contained in Section 3, Paragraph 3, letters a) through f), and in Paragraphs 4 and 5 of the law, the list can be declared as invalid. Regional privatization commissions are responsible for posting the lists on the office board of the national committee at least 30 days before the public auction. Prior to making the list public the regional commission must submit the list for verification to the CR Ministry for Government Property Administration and Privatization.

### **Section 5. Participation in Public Auction**

The regional commission will establish the admission charge for the public auction. It makes sense to set this charge based on conditions at the place of the auction, the costs incurred for the auction, and the value of the property that will be auctioned. It will therefore be appropriate, either through the section or directly to determine this charge in consultation with the local national committee. The draft Czech National Council law on the authority of Czech Republic offices on matters related to the transfer of ownership of certain government property to physical persons or legal entities, also contains a provision for charging admission when inspecting businesses on the list. The proceeds from these admissions and payments for participating in the auction (set by law at 1,000 korunas [Kcs]) will be added to the budgets of the regional national committees or the Prague National Committee.

Requiring the deposit of an auction bond prior to the auction serves several purposes. It establishes seriousness of intent to purchase a business, confirms that participants have a certain amount of financial



resources, and establishes a basis for penalties if a buyer does not pay the auction price of a business within the allotted time.

The auction bond will be deposited at an appropriate bank to the account of the national committee. Bank certification of this deposit will prove that the bond has been deposited.

Close individuals include close relatives, siblings, spouses for the duration of marriage, and other individuals. Other individuals are close individuals associated by family or some other relationship. The criterion is that if damages incurred by one of them would be felt by the other as his own damages. For example, individuals living in a household who are not relatives, but who, by virtue of living in the same house, have established a family like relationship.

#### Section 6. Conduct of Public Auctions

The auctioneer will be named by the regional privatization commission. The commission is also responsible for organizing the auction. There must be an authorized member of the commission at every auction, whose task is to supervise the auction, and handle the protocols concerning the proper conduct of the auction and its results. The protocol will always name the auction participant and the price for which a business was sold. If there was no interest in a business and it was not auctioned off, this is also noted in the protocol. The authorized commission member is also required to make sure that the auctioneer signs the protocol as well as a representative of the organization whose business was sold.

#### Section 8. Asking Price of a Business

Prices of land and buildings should be set based on the provisions of Decree No. 316/1990, Sb., which amends and updates Decree No. 182/1988, Sb. concerning prices of buildings, land, permanent stands, payments for establishing rights of personal use, and compensation for temporary land use, and SR Ministry of Finance and Price Decree No. 205/1988, Sb.. The law does not provide guidelines for setting prices for machinery, equipment, and other capital assets. These can be set, therefore, based on an accounting appraisal, or an alternative way agreed upon by the regional commission with the organization whose business is being auctioned.

#### Section 9. Purchase Price for a Business

The purchase price includes the price of land, buildings, machinery, equipment, other capital assets, the price of consumable assets and inventories. If inventories also contain consumable items these are not included in the price of inventories, in contrast to those items used to run the business. In practice this will mean, for instance, that the purchase price of a hotel would include the bed linen used for normal hotel operations. If, however, the hotel has bed linen in inventory, the price of this linen would not be included in the price of the inventory.

There is nothing to prevent the purchaser, however, from making arrangements with the seller to acquire any such inventoried items.

The concept of consumable items clearly refers to smaller, short term items the acquisition price of which is less than Kcs5,000, regardless of when they are used, or that will be consumed within one year, regardless of their acquisition cost.

#### Section 10. Reducing the Asking Price

The cited provisions also provide for cases when property is not sold, by allowing so-called Dutch auctions. The lowest price of an auctioned item cannot, however, be less than 50 percent of the asking price.

#### Section 11. Transfer of Ownership to Auctioned Items

Ownership of auctioned items passes to the buyer under the law, unless it is necessary to sign a contract on ownership transfer. The law also invalidates an ownership transfer in cases when the buyer does not pay the price for which the item was auctioned. Items in this sense mean a business, and the price the asking price, which is composed of the price of land, buildings, machines, equipment, and other capital assets, and the price of consumable items.

The right of organization, based on buyer responsibility for damages and to continue operations, can be exercised, after taking the actions specified in the law (failure to make payment within 30 days of the auction), either under the civil code (Section 420), or the commercial code (Section 145). Whether or not to invoke the provisions of the civil code or commercial codes is up to the buyer. If the buyer is a person who is not authorized to conduct business, then proceedings involve compensation for damages under the civil code. Under Section 420 of the civil code a citizen is responsible for damages caused by a violation of legal responsibility. The responsibility can be discharged by demonstrating that the accused person did not cause the damages. In addition, a citizen is responsible for damages caused to an organization if the following conditions also apply:

- There was an illegal act.
- Damage occurred.
- There is a causal relationship between the illegal act and the occurrence of damage.
- Fault can be established.

Regarding the type and scope of compensation, the civil code stipulates that compensation be provided by returning a situation to its previous state, and if this is not feasible or possible, that compensation be made in money. An organization can sue for damages at the appropriate court.

Unjustified material benefit is codified in Section 451 of the civil code. Responsibility for unjustified material

benefit is an objective responsibility in which the violation of legal responsibility leads to the achievement of unjustified success or material benefit. It also implies that a causal relationship exists between the illegal act and the material benefit.

A citizen who, at the expense of an organization, attains unjustified material benefit, must return the acquired property in a undamaged state. If the improperly acquired property is damaged, reparations must be paid for everything acquired illegally.

If, however, a citizen who purchases a business is registered as an entrepreneur, or represents a legal entity whose participants or associates are physical persons, the requirements associated with compensation for damages and for unjustified material benefit are governed by the provisions of the commercial code. This means that organizations must press their cases before the appropriate business arbitrator.

Under Section 145 of the commercial code responsibility for damages requires meeting these conditions:

- Damages have occurred.
- There has been an illegal action by the responsible organization.
- There is a causal relationship between the occurrence of damages and the illegal action.
- Fault can be proven on the part of the responsible organization.

At the same time, the occurrence of damages is the basic requirement of responsibility for damages, which are understood as property damage. Damages can be evaluated monetarily, or compensation can be made in kind.

Unjustified material benefit is defined under Section 123 of the commercial code as the attainment or acceptance of some material benefit by an organization that does not belong to it.

The scope of responsibility for unjustified material benefit is the obligation of the responsible organization to return to the justified organization the acquired property. The commercial code provides that this must be done immediately, in compliance with code guidelines. If it is not possible to return what was improperly acquired, like items must be returned. If this is not possible then the responsible organization must make compensation equal to the price of what was improperly acquired, at the time it was improperly acquired. The same is true when it is possible to return what was acquired or an equivalent, but when this does not make sense. In this case compensation is paid equal to the price at the time of acquisition.

In contrast to the price of a business, which is deposited in a special account of the appropriate republic office, the price of the inventories of the organization whose

business unit was sold is paid directly to the organization. When the price of inventories is not paid the provisions of Paragraph 2 do not apply. If the buyer does not pay for the inventory within the 30 day limit, the transfer of ownership of the business goes through, but the buyer is in danger of legal or arbitration proceedings to recover claims equal to the price of the inventory. The Czech National Council draft law on authority of Czech Republic offices in matters related to the transfer of ownership of certain types of government property to physical persons or legal entities assumes that the entire yield from the sale of businesses founded by the local national committee, and an established percentage of the proceeds from the sale of other businesses, will accrue to the appropriate national committee, with the remainder accruing to the Czech Republic. All proceeds, however, must be concentrated in specially arranged accounts, and will not form a part of the budgets of either the national committees or republics. National committees will not be able to use the resources in these accounts for two years, except to pay the costs incurred in implementing the law.

One can further deduce from the provisions of the above cited CNR law that the appropriate national committee will be the Republic office to whose account the amount for the auctioned business will be credited. The national committee, then, in cases of businesses spun off from government enterprises and their organizations, of which it is not a founder, will transfer 70 percent of the proceeds to a special account at the CR Ministry for Government Property Administration and Privatization. Arrangements will be similar for the Slovak Republic.

#### **Section 12. Responsibility for Auctioned Items: Ownership Confirmation**

The provisions of Paragraphs 1 and 2 strips the responsibilities under the right to manage an auctioned business from an organization in cases where performance worsens and for its faults. In terms of defining the term "business" (property and real property which, as the property basis for the operating parts of an organization active in the area of services, trade, and other activities excluding agricultural production, can or do constitute a complete managerial or property unit), and given the fact that what a person buys at auction is just this unit, it can be deduced that the provisions of Paragraphs 1 and 2 do not apply to inventories, the sale of which is the subject of a contract between the organization and the buyer. In practice this will mean that the appropriate organization will bear the responsibility for defective inventory.

Confirmation by an appropriate Republic office (regional privatization office) of the sale of a business, stating its owner, replaces an equivalent contract on transfer of ownership. The confirmation should clearly contain a precise description of the business (name, location), the name and headquarters of the organization holding management rights to the business, a list of land, buildings, machines, equipment and other capital assets,

the price paid for the business and the date when ownership will transfer to the buyer.

### Section 13. Repeat Auction

Lists of items not auctioned successfully are compiled by the regional privatization commissions. Foreign entities can become the owners of businesses auctioned a second time. If foreign entities are participating in an auction the price of the business can be no less than 80 percent of the asking price. This is also the case when only individuals participate in an auction who are citizens of the CSFR or were citizens after 25 February 1948, or legal entities whose participants are exclusively the above described physical persons.

### Section 14. Land Transfer

The price of the land where a business is situated is part of the price only when the organization of which the auctioned business is a part has management rights to that land. Only in this case does the land have to be sold at the same time as the business.

### Section 15. Right To Sign Rental Contracts for Nonhousing Space

The law specifies a responsibility for owners of nonhousing space or those who have usage rights to such space to sign, with buyers of businesses, rental contracts for the space for a term of at least two years. The law permits other arrangements as well.

Before signing such contracts rental relationships must of course be set up between the owner or organization holding management rights and the current tenant of the nonhousing space. The law, to be sure, does not set any deadlines for establishing these relationships but the logic of the situation suggests that things be finalized so as to allow time to conclude a contract with the buyer of the business before the business begins operations. When a purchased business was engaged in the sale of basic foods, Section 15, Paragraph 2 of the law stipulates that the rental contract be signed within seven days of the auction.

When signing rental contracts for nonhousing space, we suggest establishing a set time for which rent will be paid (under the law, if the buyer does not express an interest in a shorter term, the rental period will be two years).

If the contract is signed for an indeterminate term, the buyer faces the danger in that, if no notice period for terminating the lease is included, the common notice period for rental of nonhousing space can be invoked, which is three months. In open ended contracts it would therefore be advisable to negotiate either a sufficiently long notice period, or to include some kind of obligation that will assure a sufficiently long rental term (for example a clause specifying that the owner will not give notice to the renter for two years). Contracts that comply with the provisions of Section 3, Paragraph 3 of the law concerning the rental and leasing of nonhousing space

must be in writing and must specify the object and purpose of the rental, the amount and due dates of rental payments and the means of payment and, unless the lease is for an indeterminate time, the term of the rental contract. The rental amount is governed by the decree on contracted prices.

### Section 16. Selling Business Without Public Auction

The so-called economic rental of a business can be implemented with a contract leaving the business to temporary use. A citizen holding a business in this way for temporary use is clearly an entrepreneur under the law concerning citizen private enterprise. After 1 May 1990, businesses can be left for the temporary use of legal entities as well, provided all participants and associates are physical persons (see provisions of Section 3 of the law). This limitation is important for determining the regulation that will govern the relationship between the person who signed the contract with the organization, leaving a business to temporary use, and that organization. In view of the above realities, these relationships come under the purview of the commercial code (see Section 18, Paragraph 2 of the law on citizen private enterprise and Section 1 of the commercial code). Therefore, a purchase contract for such a business will be signed under the provisions of Section 347 of the commercial code. This contract must contain:

- A list of the property being transferred.
- The date of transfer.
- The purchase price.

The contract should also stipulate the reason for the transfer, and the rights and obligations related to the transferred property, and how they will be executed. The contract should also, obviously, specify the names and headquarters of the transferring and the acquiring organizations.

For those interested in purchasing businesses they currently hold in economic rental, it is important to meet the conditions established by the law for the sale of businesses without public auction. Above all, the interested person must submit a request at least five days prior to the auction. The applicant should have written proof of the request, confirmed by the local privatization commission. This will avoid any question of whether the person applied to buy the business or not.

We also consider it desirable and effective in terms of protecting the interests of participants, for each participant to insist on signing a purchase contract within a time frame that protects his right to sell the business without an auction. In this regard we emphasize that the time frame established for the expiration of this right differ, depending on when the auction is announced. Generally the law provides that the auction must be announced at least 30 days prior to its scheduled date (Section 4, Paragraph 6 of the law). This then means that the auction can be announced more than 30 days prior to



the scheduled date, which reduces the time within which to sign a contract to transfer ownership of the business. Announcing an auction more than 65 days prior to its scheduled date would make it impossible to invoke the provisions of Section 16, Paragraph 1, because the interested party, by exercising his responsibility to apply to buy the business no later than five days before an auction, would lose his right to sign the requisite contract because he would be unable to meet the condition of signing the contract no earlier than 60 days after the announcement of an auction. Announcing an auction this way could, however, qualify as failing to adhere to the spirit of the law.

The best way to be able to document a course of action is for interested parties to keep written record even of submitting the proposal for a purchase contract. This can be done by mailing the purchase contract proposal, by certified mail, immediately after announcing the intention to sell a business.

If an organization puts off signing a contract and thereby threatens the entrepreneur with the expiration of his rights, the entrepreneur can exercise those rights before the appropriate office of business arbitration.

#### **Sections 17 and 18. Responsibilities of Business Buyers**

Ownership of a business can be transferred, up to two years from the date of auction, only to physical persons who are citizens of the CSFR or have been Czechoslovak citizens since 25 February 1948, or to legal entities whose participants or associates are exclusively these legal entities. These conditions do not apply if the business was auctioned at a second auction. In these cases ownership can be transferred to foreign citizens (meaning physical individuals or legal entities whose participants or associates are exclusively individuals).

Optionally, fines may be levied in the amount of Kcs2,000 for every work day of failure to comply with the law establishing the obligation to continue to sell basic foods beginning the seventh day after the auction, or not to change business activities for the first year. An appropriate Republic office can levy the fines. This can be the regional national committee, but does not have to be in all instances. The time period of one year for he levying of fines is preclusive, i.e. after the period set by the law the fine cannot be levied.

#### **Section 19. Liquidation of Government Enterprises**

The provisions of Section 19 create an exception to the provisions of Section 22 of the law on government enterprises, which enumerates the reasons for liquidating a government enterprise. Invoking Section 26 of this law, which relates to government enterprises and the satisfaction of public interests, is clearly meant to indicate that for the purposes of the law this provision can be used also for the basic type of government enterprise. In the event that the founder decides to liquidate the enterprise because its existence is no longer justified after the privatization of one or more of its business

units, he can institute liquidation proceedings. Justification of the further existence of an enterprise must include an evaluation of the social mission of the enterprise, i.e. whether the enterprise is capable of continuing to produce goods and services, and whether it can continue to operate as an independent entity.

The liquidation of an enterprise is governed by the commercial code and proceeds as outlined below.

The founder records his intention to liquidate the enterprise, and the name of the selected liquidator, in the enterprise register. The function of director and enterprise offices all terminate on the date that this entry is made in the enterprise register. The liquidator is authorized to negotiate in the name of the government enterprise on all matters related to the liquidation, and is required to notify immediately all affected organizations, offices and other entities that the enterprise is in liquidation. On the day that liquidation commences, the enterprise must have available final accounting records and reports, and deliver them to the liquidator and other appropriate offices. The liquidator prepares within 30 days of the recording of the liquidation in the enterprise register an initial report and submits it to the founder along with a liquidation plan, liquidation budget and an inventory commitment record showing any extraordinary commitments of capital assets to inventory as of the commencement of liquidation.

During liquidation, the liquidator is obligated mainly to concentrate the monetary resources in a single monetary institution, wrap up day to day affairs, disburse all transfers to the government budget, taxes and other fees, put all obligations and claims in order, monetize the property of the government enterprise as quickly and efficiently as possible, or dispose of it in accordance with regulations governing the management of government property, provide the founder with quarterly and annual reports on the progress of the liquidation, supported by quarterly and annual accounting records. The liquidator also prepares a final accounting record as of the end of the liquidation and submits it to the founder for approval, along with a final report on the entire liquidation process. After the final accounting records have been inspected and approved the liquidator distributes the final liquidation proceeds according to the wishes of the founder, handles the safe depositing of the written records and accounting reports and purposes the deletion of the enterprise from the enterprise register.

#### **Sections 20-27. Concluding Provisions**

The Czech National Council draft law on the authority of Czech Republic offices in matters related to the transfer of ownership of certain government property to physical individuals and legal entities designates the CR Ministry for Government Property Administration and privatization, regional privatization commissions, and



the Prague commission for government property privatization as Republic offices that may request information, documentation, or entry into businesses. Organization employees are required grant all such requests. Arrangements in the Slovak Republic will clearly be similar.

Section 24 of the law states that the law does not extend to the legal measures adopted by the Federal Assembly presidium, No. 364/1990, Sb., concerning the disposition of government property. This emphasizes the validity of limitations on the ability of government enterprises to enter into contracts concerning the transfer of ownership of property to which it holds management rights, and limitations on its capability to share its contributions to joint enterprises, and associations which are legal entities, or in corporations or other business entities, provided they are not enterprises with foreign capital participation.

Because auctioned businesses become the property of the buyer when the auctioneer taps his gavel, and the confirmation of these ownership rights are a matter for the appropriate Republic offices, this type of transfer is not covered by the above mentioned legal measures. The sale of inventory is a somewhat different situation because it involves payment by the buyer to the organization, which in many instances is a government enterprise. Such sales of inventory clearly do not qualify as a transfer of the right to manage government property between government organizations, such as occurs when obligations to a supplier are met, when work is performed or other services rendered in the context of a defined subject of activity or in conjunction with it (usually management). It will therefore be necessary to look at inventory sales related to business privatization as a transfer outside of normal management practices. This being the case, however, such an inventory transfer, under Section 24 of the law, requires the consent of the founder (see Section 1, Paragraph 2 of Federal Assembly presidium legal measure No. 364/1990, Sb., concerning disposition of property entrusted to a government enterprise: "Exceptions to Paragraph 1 may be permitted by the founder in certain cases.")

The law is scheduled to take effect on 1 December 1990. It can therefore be expected that business auctions will begin early next year, because some time will be required to select businesses to be privatized, compile the requisite listings for each, and prepare for the auctions. Also to be considered is the 30 day notice required between the publication of the lists of businesses selected for privatization and the date of the public auction.

## HUNGARY

### Minister Evaluates Economic Recovery

91CH0272A Budapest FIGYELO in Hungarian  
20 Dec 90 p 4

[Article by Minister of International Economic Relations Bela Kadar: "The Hungarian Quartet"]

[Text] The political and the Gregorian calendar equally show that the time has come to say farewell to the end of

1990 and to the first phase of systems change which was laced with dreams. Simultaneously, changing the political system, the economic model, the external economic point of gravity, and the outlook of society—i.e., the "systems change quartet"—cannot be based on a script imported from abroad.

The following questions have become issues of national survival, and of European and international stability. Is it possible, and if so, how is it possible to implement a fundamental economic structural transformation under conditions of a fledgling parliamentary democracy? Is it possible, and if so, at what pace is it possible to change external economic partners while a production, consumption, and foreign trade structure, and a growth course which was developed on the basis of four decades of one-sided linkage essentially survive? Is it conceivable that a market economy and a society based on competition—both in the political and the economic sense—can be adopted immediately, along with the strong presence of forms of consciousness and conduct which were determined by historical experiences of fiascos, and were made to become accustomed to four decades of a paternalistic milieu, and which still feel strange about a value system tied to performance, about social and national cooperation, about savings which serve as the foundation for the future, and about the accumulation of intellectual capital?

Our short-term concerns are no smaller. The three peaks of the depression quadrangle are clearly outlined already. As compared to the 7-percent inflation rate recorded between 1980 and 1987, the same ratio was 16 percent in 1988-89, and 30 percent in 1990. A further increase in the inflation rate is projected for 1991. As a result of the strengthening of a recession that began last year [1989], this year's GDP [gross domestic product] declined by about 5 percent, industrial production by 10 percent, and it is very likely that this will repeat itself in 1991. Following a record negative balance of payments of \$1.4 billion in 1989, and after the relative equilibrium in 1990 which resulted from the extraordinary improvement in external economic performance, one may already predict a \$1.2 to \$1.5 billion balance of payments deficit [for 1991] based on the predictable hardships and situation changes. The present employment level cannot be maintained next year [1991], and this reveals the fourth peak of the quadrangle.

### Shock Therapy or...?

The uncertainty that surrounds economic policy suitable to respond to the four challenges is not a Hungarian, but a peculiar East-Central European feature. As a result of the undeveloped state of a strategy for changing systems, and because of the impossibility to assess the dimensions and outcome of the crisis that is evolving in the region, the absence of contours for an economic policy and an economic environment can be explained only in part on the basis of subjective factors. Choosing between shock

therapy on the one hand, and a phased transition which extends tensions in time on the other, involves huge responsibility. Shock therapy is more simple at the abstract, theoretical level, because it eliminates the need to develop a rationale for sequencing, and it establishes the size of each pace, along with a more complex management technique, all of which flow from the national features of a phased transition. The practical considerations of implementation, however, present themselves as tough threshold conditions when making the appropriate choice. At the end of 1990 we may say that the increased threats of explosion in the East and Central European region as well as the warning signs given by Poland call the attention of both international organizations and domestic political forces to the limited applicability of shock therapy. This limitation had been predicted earlier.

The idea of a phased transition is becoming increasingly accepted, but there is an ongoing debate in the individual countries as to whether the economic policy should restrict demand or increase supply above all, and whether real economic processes or financial processes should have primacy. From the standpoint of decision-makers reared in developed market economies, it is difficult to understand the fact that in an economic shortage environment, which exists as the legacy of an undeveloped, or monopolistic socialism, which lasted several decades, the main cause of a lack of equilibrium is the insufficiency or distorted character of supply. It is for this reason that demand must be restricted, but this will not suffice to restore the equilibrium of the national economy. The one-sided enforcement of restrictions on demand could distort national economic processes, and would establish an equilibrium in the national economy at a very low level in terms of production and employment, albeit at a very high level of social and political tensions—i.e., in the absence of a political equilibrium.

#### Stimulating Supply

Accordingly, an economic policy which builds on the supply side must have primacy in undeveloped or shortage economies. I have voiced this conviction of mine in several writings since 1980.

A systems change is always accompanied by a certain chaos. In order to reduce the accompanying torments, and to present the systems change in a more fair manner, the government must not remove itself entirely from managing the economy. Depending on prevailing peculiarities, it must play an active role in the processes of the transformation into a market economy, of renewing the structure, of changing the point of gravity in the external economy, and of catching up with Europe.

Beyond this, in Hungary a domestic policy commitment was made in the program announced by the victorious coalition to establish a "social market economy." This means that the government must play an active role in the combination of emphasizing the efficiency of a market economy and the values of national-humanist

solidarity. If this goal is underemphasized, it will be difficult to avoid the already stated criticism, according to which the present administration follows the fiscal-monetary line established by its two predecessors, which suddenly switched from a Marxist outlook to a monetary outlook, and which produced the already known results.

If the administration agrees to play its historic role, it must have the means needed for successful governmental management, because under all circumstances, it will be responsible for the way the economy evolves.

A government which voluntarily and entirely deprives itself of the possible use of price and wage controls, which could harness the lack of equilibrium, of an import licensing system, which represents a weapon in the hands of economic diplomacy, protects entrepreneurs who still lack the means to stimulate exports and capital investments, and who deprives itself of funds which relieve regional tensions and encourage the changing of markets—even before market mechanisms gain muscle—may be suspect of having a "self-castration" complex, in the Freudian sense of that term. Only an unlimited confidence in external [financial] support, only a guaranteed compensation could warrant such unilateral surrender of economic weapons.

An unbiased analyst could not state that the new Hungarian Government managed the fate of the country without success, if he uses East-Central European conditions as a yard stick. The shrinking of Eastern trade, the drought, and the accumulated consequences of the Iraq crisis made between 11 and 12 percent of the GDP disappear. On the other hand, the 16 percent increase in exports payable in dollars, and the nonstatistical upswing of small enterprises, offset half of this loss.

The magic East-Central European economic number four may also be put to use in the phasing of transformation. In case of a process which is not forced, the speed of transformation is smaller in the first phase, because the old machinery and the habit of discipline still operates. In the second phase, the process of economic and political pluralism, and the shaken state of the earlier machinery and discipline is not only accompanied by the acceleration of transformation, but also with the fact that tensions become visible, and chaotic phenomena multiply.

#### Enslavement by Interest Payments

Managing tensions, establishing the new law and order, and halting the decline of the real economy are the tasks in the third phase. Stimulation and upswing, as well as structural integration, will evolve in the fourth phase.

Most East and Central European countries are either at the beginning or the end of the first phase of transformation. As a result of a quarter century of reform endeavors, Hungary is approaching the end of the second phase. Having concluded the first two phases in which political elements dominate, the economy will be given

greater attention in the third phase. Preparation for this is the task next year [1991].

The sphere in which Hungarian economic policy is able to operate is determined by the short-term limits established by the balance of payments. As a result of \$4 billion in debt service payments annually, the external effects which will deteriorate the balance of payments by \$1.5 billion in 1991, and by between \$0.7 and \$0.9 billion in 1992, only a very forceful improvement in external economic performance will be capable of breaking the chains of enslavement by interest payments, and of developing a mutual dependence in acceptable international cooperation.

As a result of the shrinkage of our Eastern markets, and of the narrowing of the capacity of our domestic market, Hungarian economic growth in the next two to three years will depend on the expansion of cooperation with developed economies and developing countries. It will also depend on the attraction of foreign capital, which represents financial resources, technology, expertise, and market integration. The country simply has no rational alternative for survival other than the pursuit of an economic policy that orients itself toward the external economy.

The system of goals in which the external economic strategy operates has already evolved. Its system of means is known, and its organizational structure is transforming with increasing speed. Last year's liberalization measures which extended to 41 percent of goods imported for dollars, placed 15 percent of Hungarian industry in a competing situation. In early 1991, these ratios will increase to 90 percent and above 70 percent respectively, presuming a forceful improvement in performance by the actors in the Hungarian economy. Yet the evolution of the export offensive can hardly be reconciled with exchange rate policies which are forced to carry the burden presented by anti-inflationary policies, and with the insufficiency of means available to export-oriented developmental policies, credit policies, and tax policies.

By now the external economic conditions for a supply side economic policy are given, most barriers in the path of the flow of goods, technologies, and external financial resources needed for the expansion of supplies have disappeared.

#### **We Can Transcend the Stormy Zone**

Nevertheless, internal income regrouping is needed in order to stimulate supply. [Various fiscal] measures are an organic part of crisis management and renewal. These measures include: tax benefits, which represent alleviations to entrepreneurs, to people living from wages and salaries, and in particular to the middle class, which plays a key role in rendering a successful transformation; the taxation of income at the point where expenditures are made, i.e., which also extends to illegally acquired

income; a modern tax system which places greater reliance on property taxes; a reduction in budgetary subsidies provided on the basis of energy consumption, the significance of which has national security implications; and the rationalizing of housing management and social security, which is extremely expensive even if viewed in the context of an international comparison.

Under present circumstances, the recognition of certain budgetary, economic policy base figures is unavoidable. This is also encouraged from the outside. The "emperor" must be given what is absolutely necessary. The rest, however, is the country's business. In the short term, this means that the country must preserve its ability to function, its relative stability, and its capacity to attract partners, as well as to lay the foundations for an upswing. Unless the East European crisis deepens to tragic proportions, if the consequences of the Iraq conflict remain manageable, and if no new centers of international tension evolve, Hungary may be able to get beyond the present storm zone by the second half of 1992, and the general upswing, similar to the earlier upswing by Southern Europe and by the new industrial exporters, slated to begin in 1993 may turn into a rapid pace upswing by the middle of the decade. The extent of Western support influences the speed of, and risks involved in this process both in a positive and a negative sense. For this reason, the maintenance of relative stability, of a staid attitude, and survival through a more favorable medium-term future is in the national interest.

#### **Computer Firms' Future on Soviet Market Viewed**

91CH0232A Budapest FIGYELO in Hungarian  
29 Nov 90 p 9

[Article by Lorant Holtzer: "Small Ventures and the Soviet Market; Does the West Provide a Way Out for the East?"]

[Text] How can small enterprises keep their trade with the Soviet Union active after we make the transition to dollar-based accounting? There are a great many difficulties and obstacles, but (as the following article reveals) there may be a solution, at least for firms in the computer industry.

#### **Who Benefits?**

Last fall, Micromega Ltd. succeeded in making contact with a Moscow multinational firm, which wanted to make a lump-sum purchase of 50 million rubles' worth of Hungarian computer products, at terms quite favorable for the Hungarian company. In the contract, the Moscow firm promised that if the equipment proved suitable, it would place additional orders in 1991, even after trade relationships were placed on dollar bases. The Budapest firm applied for an export permit in the amount of 50 million rubles, but instead it was provisionally granted a permit for 3.5 million rubles, usable only on the ruble exchange. Since that took place during



the initial weeks of the ruble exchange's establishment, this solution was disadvantageous "only" in that:

- Instead of promptly receiving cash, collection through the ruble exchange meant that it took much longer for the firm to obtain payment in forints.
- Because of the well-known rules of the ruble exchange, the firm was supposed to pay the bank operating the ruble exchange a quasi-assurance amounting to about 33 million forints (3.5 million times the difference between the 37.50 forints, which is the normal commercial price of ruble, and the amount those rubles were expected to earn on the ruble exchange)—a severe burden for a firm having a capital of some 15-20 million forints, which was not even considered small among the average Hungarian enterprises.

After this, the Soviet-based multinational firm withdrew from the contract, because it wanted it to apply not for a 3.5-million deal, but for one worth 50 million rubles. With considerable difficulties, it was possible to "transfer" the 3.5 rubles' worth of export permit to another Soviet firm, and a new contract was signed. In the intervening few weeks, any hopes to sell money on the ruble exchange became illusory, so that a new solution had to be found.

From a financial point of view, there were three possible courses of action: 1) Obtaining a permit for normal ruble export (chances for which were practically zero), 2) selling the money for convertible currency, or 3) entering into a barter arrangement.

Of course, it was impossible to obtain new ruble export permits, but, to their great surprise, the leaders of the Budapest firm heard that certain firms were selling their previously obtained permits for 40, 60, or even 80 (!) percent of the originally stipulated amount. Since we are convinced that there are no prices which would yield profits of this size, this solution cannot be considered realistic. Of course, there was a chance to make a barter deal in which the Hungarian import could yield enough profit to balance out such a huge cut out of the export profit. Thus, a barter deal was accepted as a second theoretical consideration.

This was when it came to light how serious is the absence of trading houses from the Hungarian foreign trade system developed during the past several decades. After all, I doubt that any small enterprise with 10-15 employees, while producing its own commodity, is able to research the marketability of such diverse goods as Romanian charcoal one day and Soviet dried mountain-goat testicles (no joke!) the next—or, for that matter, to find a, let us say, Soviet salesman who is able to deliver granite to Taiwan in accordance with the specifications of the Hungarian supplier.

I have two more remarks concerning barter deals. I recall a decree, introduced by the minister of foreign trade a

few years ago, which determined that domestic firms are to allocate 1.64 or 2.41 percent to foreign trade companies.

#### **Barter Plan**

Obviously, it was wrong to introduce such rigid regulations and set the fee at such a low level. (At the time we had quite enough headache in trying to raise the foreign trade fees to the 3-4 percent level which both partners considered realistic.) It is equally wrong, however, that when we succeed in negotiating a barter deal with the help of a Hungarian foreign trade firm that was at one time specialized in a given area, that 30-40 percent of the Hungarian exporter's sales earnings are withheld on the pretext that Hungary's imports must be subsidized. (I wonder, how much is withheld from the earnings of imports in order to subsidize Hungarian exports?)

The other observation is that quite frequently, after chances for obtaining a normal ruble export permit is shown to be practically zero, a deal can be made with the same Soviet firm by using another foreign (Western) firm as a middleman. The Western firm accepts rubles (which are not even convertible, but most often earmarked for domestic use) from the Soviet partner, finds a way to convert it into dollars and pays the Hungarian supplier out of that. The obvious question is: Why cannot we adopt this method (which evidently has a barter deal in the background), and why are we forced to lose some of our profits to foreign firms?

The third possibility is for us to sell our goods in the Soviet Union for dollars. Well, I feel that the Soviet firms and ministries will not have any more dollars after 1 January 1990 than before; thus, they will continue to strive for some kind of a balance. Accordingly, a clearing type of accounting system will develop. We hope that this will happen only during the early phases. If that will be the case, there will be breathing room for Hungary's computer industry, and perhaps even for other specialties.

#### **Relegated to the Rear**

After all, if we were to bring to the Soviet market the mass consumers' items that much of Hungarian industry is able to produce at present (which are not exactly at the leading edge of global technology), then Far East manufacturers would sweep us off that market overnight. Clearly, a Hungarian manufacturer that purchases parts from the same Taiwan factory that also directly exports finished products to the Soviet Union, will immediately find itself with an insurmountable pricing handicap in a purely dollar-based free market competition. To illustrate the situation: The dollar price of the Taiwan product is the same delivered directly to the Soviet Union as it is delivered to Budapest, so that any costs accumulated in Hungary, including profit, would make the Hungarian supplier unable to compete.

What is the solution, then? The question must be immediately corrected. Is there a way out at all for Hungarian



computer manufacturers (especially for small enterprises)? If there is a way out, it must involve several methods, instead of one.

The first theoretical possibility, that of developing and manufacturing specialized hardware products, is quite illusory in view of Hungarian industry's existing capacities. There will be few chances to accomplish this. Such specialized development can be considered realistic only when it comes to assembling elements purchased abroad, or if we discover a highly specialized application which Western firms do not find profitable enough. Opportunities are greater in the sphere of software development. However, on the one hand, this is the sphere in which the user prefers to make programs closely related to its own ideas. Also, specialized programs yield significant earnings and profits only at large sale volume. In any event, this is one feasible alternative.

The other solution is to take on the Hungarian representation of a large Western computer firm (which Micromega tries to do in representing Control Data in Hungary), and contribute to their activities with auxiliary development and fitting work. While taking advantage of their patronage, Hungarian firms could learn and adopt Western business thinking, practices, and methods, and together with their Western partners, they could enter the genuine professional and marketing circulation.

### **MNB 1991 Monetary, Lending Policy Discussed**

91CH0252A Budapest FIGYELO in Hungarian  
6 Dec 90 p 17

[Article on guidelines of Hungarian National Bank [MNB]—first paragraph is FIGYELO introduction]

[Text] Previously the National Assembly dealt with the annual monetary and lending policy guidelines together with the annual people's economy plan and with the state budget. No plan will be submitted of course to [National Assembly] representatives this year, and the adoption of the budget takes much longer than expected. Thus the Hungarian National Bank [MNB] report is likely to attract greater interest in the parliament than it did before.

The MNB report establishes the 1991 goals for, and latitude of monetary policy based on an evaluation of the 1990 experience. The report states that as a result of successful monetary policy the country remained solvent, and that the balance of payments in both [Eastern and Western] relations was close to an equilibrium. In the framework of convertible [currency trade] relations this represents an improvement of almost \$1.5 billion. On the other hand, the report views the accelerated inflation rate in a negative fashion, and states that strict fiscal policy was only able to slow down further acceleration.

The central bank's 1990 lending policies—implemented within stringent monetary limitations—ultimately enhanced the development of viable enterprises.

### **Next Year's Goals**

In 1991 the MNB will continue to regard as its main objective the preservation of the country's solvency and the slowing down of inflation, as well as to increase the propensity to save. But providing incentives to increase supplies appears as a third element. It constitutes an important means by which exports and the private sector may be stimulated.

The deficit of the current balance of payments must not exceed \$1.2 billion. Consistent with the requirements established by the balance of payments, preventing runaway inflation and the financing of the structural transformation of the economy permits a maximum budgetary deficit of between 70 and 80 billion forints only.

This figure is consistent with budget data made public recently.

The central bank will continue its restrictive policies, it establishes as its primary task the maintenance of economic [as published] solvency within a strict framework.

In developing monetary policy the central bank counts on the following: The volume of the Gross Domestic Product [GDP] will be reduced by between 3 and 4 percent, while domestic consumption will decline by between 4 and 5 percent. Producer price levels increased by between 30 and 32 percent, while consumer price levels increased by between 34 and 36 percent. Using this as a basis for calculations, net domestic lending by the banking system may increase by between 10 and 20 percent, and the volume of money in a broader sense of the term may increase by between 24 and 26 percent.

The MNB prognosticates the net financial position for 1991 of individual income earners based on the following: The financial institution sector will receive net foreign resources amounting to between 80 and 90 billion forints; net individual savings vis-a-vis the banking system will depend on the way interest rate levels evolve, and may be expected to amount to between 80 and 90 billion forints, significantly exceeding this year's level; the indebtedness of the administration (including autonomous local governmental bodies) vis-a-vis the banking system may be between 50 and 60 billion forints.

### **Anti-Inflationary Policy**

As part of its anti-inflationary endeavors, the central bank intends to maintain the real, effective exchange rate at the same level in the framework of its exchange rate policies, and to minimize inflationary pressure. The central bank endeavors to moderate inflation by using strict policies regarding money. Such policies will be designed to avoid the issuance of money which has no backing, to maintain the real positive value of the cost of

money (interest on loans), and in the interest of avoiding a decline in the propensity to save, it intends to pursue interest rate policies which preserve the value of deposits.

Even by way of practical interest rate policies on loans, the central bank's conduct indicates that following the price increases that took place early in the year, it is counting on more moderate inflation (thereby also cooling down inflationary expectations). For this reason the central bank adjusts the interest rate on long-term refinancing loans to a smaller extent as compared to the inflation rate, than it does regarding interest rates on short-term loans. The central bank supports any financial solution which reduces the expenses incurred in the course of financial transactions, thus moderating the evolution of unrealistic high levels of interest rates.

In the course of planning 1991 monetary processes, and in the course of formulating practical regulations, the central bank paid particularly great attention to the fact that the manner in which processes evolve may be foreseen with substantially greater uncertainty. One of the fundamental sources of uncertainty is the anticipated evolution of trade with former CEMA countries. As of today, not even the volume of trade, price levels and payment conditions can be foreseen. Due to the undeveloped system of conditions, particularly great tensions which exceed the tensions that will occur throughout the year, must be viewed in the framework of the first two quarters.

The other source of uncertainty stems from anticipated changes in demand for money. These may be traced to the increased number of firms, to progress made in privatization, to the increased number of joint enterprises with foreign participation, and to the new, improved payment discipline which may be expected as a result of the introduction of the new bankruptcy law. The central bank prepares its quarterly monetary plan based on the above factors. Even the state sphere's financing plan—including the Housing Fund and the Social Security Fund—must be developed on a quarterly basis, and amounts exceeding the planned levels will not be financed by the central bank.

Since monetary policy may be applied at present to the net volume of domestic loans, the level of interest rates will be governed by the availability of money (demand for credit). Because of high inflation rates (and inflationary expectations), and because of the requirement of maintaining a narrow margin of liquidity, the market level of nominal interest rates will remain high for the time being. Interest rates charged by the central bank must not be viewed separately from interest rates charged in the money market, they will follow the interest rates charged in the marketplace. Reduced interest rates may be based on a relaxation of inflationary pressures.

In addition to advocating the necessity of determining interest rates on the basis of supply and demand, the

central bank recommends that financial structures which increase the cost of financial transactions, and thereby increase the level of interest rates, be moderated. For this reason the central bank introduces the new element of paying deposit interest on mandatory reserves.

#### What Changes?

Although the refinancing system used in 1990 will be continued in the interest of more flexible, market type monetary regulations, the central bank endeavors to allocate a large part of the available loan opportunities on the basis of market considerations (for example based on competitive offers made at auctions) among banks. In formulating loan opportunities the central bank will pay particular attention to the transition in CEMA trade and to the satisfaction of the seasonal financing needs of the food economy. In regulating liquidity we intend to increase the possibilities of achieving regulatory effects through open market transactions, through the sale and purchase of securities. Aside from the above deviations, the system of interest rates applied in 1990 will remain the same insofar as its foundations are concerned, but interest rates that evolved in the marketplace will be followed more closely. Decentralization of foreign exchange will continue, short-term mercantile credits in foreign exchange will be available to business organizations. Additional steps toward convertibility may be taken as a result of realizing a limited foreign exchange market.

#### Employee Stockholdership Program Described

##### Regulatory Concept Complete

91CH0231A Budapest NEPSZABADSAG in Hungarian  
4 Dec 90 p 8

[Article by Zsuzsa Regos: "The Hungarian Miracle Is Here (?)"]

[Text] The regulatory concept of the Employee Stockholdership Program (MRP) has recently been completed. The plan, which has been synchronized with the government program by a team of experts tasked with laying down the basic principles, purports that as workers assume proprietary controls, within just a few years, inflation can be reduced to 8 percent; surplus budgetary revenues can be increased at first to 20, and then gradually to over 50 percent; privatization can be accelerated; and an additional 20-40 billion forints worth of buying power may be infused into the capital market.

Despite its self-confident optimism, the concept, prepared at the request of the "Participation" Foundation to Support Employee Stockholdership and Participation, makes it clear from the outset that all the benefits (installment payments, credits) and appearances notwithstanding, this form of property acquisition is also not without risks. As mortgage holders, the State Property Agency, which controls the selling of shares and business interests, and the creditor bank, can restrict the

marketability of investments. As a consequence of such a measure, employees may be quickly "freed" of their modest or more sizable investments in their enterprise. (In contrast with those happy investors, who are in the position to pay cash for the shares and business interests they have their eyes on.)

Only incorporated state or local enterprises and private firms are eligible to have an MRP, provided that at least half of their employees have expressed an interest in participating in such a program, and are willing to buy at least 5 percent of the basic capital. The authors of the program have laid down only one important stipulation: Buyers' and installment payment benefits can only accompany employee share purchases if the total value of those shares does not exceed eight times the amount of the collective gross annual wage fund of those requesting such benefits.

The basic condition of eligibility to acquire shares and business interests is continuous employment for at least one year. From the moment of the purchase, or the declaration of the intent to buy, the worker enjoys full ownership rights (voter and shareholder rights), commensurate with his share of ownership. These rights are inviolable. Theoretically, employees may sell their shares or business interests on the free market, and perhaps also on the stock market. It is more likely, however, that employers, exercising their right of preemption or obligation to repurchase, will restrict external sales of shares. The prices set in an "intensive" MRP share market will naturally be determined by the financial situation of the employer and the interest (wallet) of the enterprise's employees. Those taking part in this mode of business acquisition, therefore, cannot count on striking it rich.

It is a fact, however, that the program puts a tool into the hands of the owners and managers of newly forming companies which can serve to generate both short-term (dividend-connected) and long-term (market-rate connected) profit interest. Citing to international experiences, the authors of the program confirm that this kind of profit interest, combined with other incentive systems present in the work place may help to increase productivity, improve market competitiveness, and stimulate renewal. Employees are more satisfied knowing that they are not merely observers of, but also participants in the privatization process. The field of proprietors may thus be expanded. Next to the narrow stratum of high-income and wealthy citizens, there may evolve a broader circle of proprietors made up of passive observers turned active players. This may in turn bolster the sense of social and political trust which privatization is so lacking.

The team of experts has prepared several variants of this concept. Variant "A" assumes noncash installment payments, a 50-percent interest discount, and tax exemption for shares used for repayment. In the case of variant "B," the ratio of cash is 2 percent, the interest discount on credit received is 25 percent, and the shares are still tax exempt. Under variant "C," the share of cash payments

is 25 percent, and the other conditions are same as above. Variant "D" offers a 50 percent credit discount.

According to the experts the first variant offers the most advantages, and it is also the easiest to arrange. This program variant may help the budget weather the more difficult initial years, while the surplus revenues it generates can be used to reduce the national debt. It would put 40 billion forints worth of property in private hands without placing undue burdens on the employees. At the same time, however, the government's plan to privatize 30 to 35 percent of the states entrepreneurial holdings within three years, while at the same time limiting the combined ration of state and institutionally owned property to no more than 50 percent, may also become a reality.

This very promising concept, which is also not without inherent contradictions, stems from real needs, and appears to be relatively easy to implement. It would be wonderful if it could succeed, but I seem to recall someone stating a long time ago that miracles do not exist.

#### Chinoi President's Comments

91CH0231B Budapest NEPSZABADSAG in Hungarian  
4 Dec 90 p 8

[Interview with Chinoi Inc. President Istvan Bihari by Judit Kozma; place and date not given: "The Factory Is Yours—If You Want It"—first paragraph is NEPSZABADSAG introduction]

[Text] At the recently privatized Chinoi Inc., they will soon begin to take employee applications to purchase shares. We have asked Director General Istvan Bihari to comment about the details of this move.

[Bihari] According to the law that employees may hold 10 percent of the total shares, in our case, this amounts to 30,000 shares, at 10,000 forints each. This means five shares for every employee, and three for every Chinoi pensioner. Under the original plan, payment was to be completed over a period of four years, with 10 percent down at the time of subscription, and 20, 30, and 30 percent [as published], respectively, to be paid over the subsequent three years. A preliminary survey of employees has shown, however, that at this price, not even half of the shares would have been subscribed. Hence, our French partner, Sanofi, decided to provide us with half of the money needed to purchase employee shares. So in December, at the time of the signing of the final agreement, they transferred \$2.5 million for this purpose to the State Property Agency. This means that employees are allowed to subscribe for shares without a down payment, with only 20 percent and 30 percent of the nominal value to be paid over a two year period. Moreover, this amount is tax deductible, making the purchase of a Chinoi share an extraordinary buy. If the employee chooses to sell, the enterprise will repurchase



the shares at the going rate, which in the case of Chinoin hopefully will also be much higher than the nominal value.

[Kozma] To what rights do these shares entitle their holder?

[Bihari] Already in the first year, share holders are entitled to collect dividends, and can participate in Chinoin's general meeting, where commensurately with their share of ownership, they can exercise their proprietary rights.

[Kozma] The key phrase obviously is "commensurately with their share of ownership." How large a share can a single person own here?

[Bihari] Overall employee ownership constitutes 10 percent of the total, which obviously does not represent a decisive ratio. It is, however, significant for those who so choose to be able to attend the general meeting, and state their opinion. This can prove to be an important means of exercising control over management.

[Kozma] Don't you think that these employee shares represent more of a political gesture than genuine political leverage?

[Bihari] Yes, I believe that you are correct. There is a natural order of things which should be adhered to. In other words, first we should ensure each worker a decent pay in their capacity as employees. No employee share can substitute for this. Not even if a significantly larger percentage of shares were to be transferred into employee ownership.

## POLAND

### Levi Strauss Opts for Plock Investment

91EP0168A Warsaw POLITYKA in Polish No 50, 15 Dec 90 p 3

[Article by Blazej Toranski: "Tight Jeans"]

[Text] The Levi Strauss Company, the world's largest jeans manufacturer, will invest in Poland. However, the negotiations were not far from going up in smoke since the one nonnegotiable element of the American offer was the company trademark.

On 7 June, an ad appeared in the Lodz-based newspaper GLOS PORANNY announcing that a major American company was interested in opening up its business in Poland. Lodz was selected for the site not just because it is the largest textile center.

"We know about the tragic social situation in Lodz, the struggling plants, unemployment," states Kazimierz Stys, director of Canampol, a consulting firm that obtained power of attorney rights from Levi Strauss toward the end of the Lodz negotiations.

The ad was answered by the A. Strug Wool Industry Plants which were at the time experiencing serious financial difficulties. They have two, supposedly modern halls with a surface area of 25,000 square meters. However, the bank withheld credit and one of the halls was not completed.

Shortly afterward, Mr. Claude Flauraud, director of development and export sales for Levi Strauss working permanently out of Geneva, came to Lodz. A formal instrument of intent was signed. However, already at that time it turned out that the expectations of both sides were greatly divergent. Price information was exchanged; if it did come to a sale, Strug wanted \$145 per meter of the completed hall and \$60 per meter for the unfinished one. The offer made by the American side was considerably smaller: \$60 and \$40.

Levi Strauss had no intention of buying the buildings from the beginning. Money invested in modern technology brings in a return many times over; it lowers production costs and eliminates competition whereas buildings do not bring in profits.

"It would be ideal if all of this could be set up under the open sky," remarks Kazimierz Stys.

Therefore, Levi Strauss expressed the desire to lease the buildings for 10 years at \$100,000 annually which would mean 43 to 47 cents per square meter.

The investment schedule projected the commencement of operation for the beginning of 1991. At the same time, the company would have liked to obtain the option of taking over the buildings through hereditary tenure [wieczysta dzierzawa] (99 years) and buy out the hall at the moment it deemed appropriate for \$1 million. The expected production (3 million pairs of jeans annually) depends on how quickly the employees will adapt to the modern (declared as state of the art) technology, all the more that besides the world's most advanced technological methods used in the manufacture of denim apparel, Levi Strauss intends to use in Poland the same high level of management and computerized techniques. It is estimated that 70 percent of the production will be earmarked for exports whereas the remaining 30 percent will make its way to the Polish market. However, the degree of exports depends on domestic demand.

Naturally, the setting up of business by a company the rank of Levi Strauss sets in motion a chain reaction. A series of related businesses springs up around it not counting services and shops.

According to Jerzy Dietl, a distinguished professor of economics and senator from Lodz, at least 20 establishments and 30,000 workers would be working for Levi Strauss after two to three years.

It followed from the American bid that the company plans to hire 1,000 people in the first phase. Western experience indicates that for every employee, there are four related posts created in this type of enterprise.



Irrespective of the big figures, one paragraph of the proposal text has created the greatest concern on the Polish side: "It is an accepted practice in the West that both the state and self-government authorities subsidize firms that invest in a given town or region. Such subsidies are proportional to the number of jobs created. For example, in Canada such subsidies range between \$10,000 and \$50,000 (Canadian dollars) per job created in addition to various tax advantages. The authorities count on long-term profits for the country and for the region."

Thus, is this a gift, a historical opportunity—as described by Prof. Dietl, although he did not know the details—or the selling of Poland to capitalists dirt cheap?

In the lease offer, the Lodz-based Strug requested \$3.90 per square meter instead of the 43 to 47 cents proposed by Levi Strauss's legal representative. Furthermore, all the Lodz assets that the Americans would like to buy out for \$1 million (i.e. 9.5 billion zloty) are appraised at 56 billion zloty! The Lodz plants have applied the evaluation method used by worldwide consulting firms—the Discounted Cash Flow (DCF) method—to appraise their assets. Who is right?

The head of the Dorhazet consulting firm, Dr. Andrzej Micinski, indicates that he must remain impartial but if he were the owner of Strug, he would not agree to the conditions proposed by Levi Strauss. His firm has studied many cases of Polish state, cooperative, and private establishments entering into joint ventures with foreign capital and has not as yet come across such a low bid, even in the case of dilapidated structures from the 1950's or neglected, bankrupt ones on the outskirts of town. The lowest bid that Dr. Micinski can remember is 8,000 [zloty] per square meter in a "boarded-up dump" which no one was rushing to buy. The highest bids exceed this amount many times over.

"One cannot expect the liquidator of the Strug plants to sign a lease agreement at such a rate. There is always the possibility that someone will bring this up and say: 'You gave away a beautiful set of buildings for nothing to the capitalists.' On the other hand, Levi Strauss is a renowned company creating a thousand jobs. This type of decision should not be made by the liquidator but by politicians. The minister of industry is the founding agency. However, the setting up of this company was in the interest of the city and the voivode. A lobby should have been organized and a pressure group formed that would have wanted to anchor Levi Strauss in Lodz," claims Andrzej Micinski.

A similar view is held by Prof. Dietl, who assesses the negotiations fiasco in Lodz as scandalous: "A bloc should have been formed, a large-scale campaign organized whereas I did not hear a sound."

Indeed, besides Stefan Niesiolowski's letter to Tadeusz Syryjczyk, also signed by six other Sejm deputies, there was no informal pressure on the part of any local lobby.

At Tadeusz Mazowiecki's preelection rally in Lodz, Senator Dietl went further (although, he does not know the specifics): "Levi Strauss was driven out (of Lodz) by the proposal of conditions which it could not accept. Fortunately, some wiser souls were to be found and retained the company in Plock. If this is the attitude toward foreign capital and the development of business enterprise that this city [Lodz] will hold, then we will clearly perish."

Claude Flauraud came to Lodz three times. During one of the meetings, when Strug's former liquidator was late, Flauraud heard the following excuse: he was only two hours late. In addition, the latecomer was so drunk that the Swiss visitor did not have the chance to get acquainted with him. Subsequent talks with the participation of Levi Strauss's new legal representative, the Canampol joint venture recommended by the United States embassy, also did not bring about more positive results. And since Canampol is not used to wasting time and energy, it began to look elsewhere.

At that time, Strug announced its offer in the *TIMES* weekly and in the Swiss Bank of Polish Investment Corporations in London. Seven serious foreign contractors, not counting Polish ones, replied. One West German firm wanted to operate a top spinning mill and even proposed a joint venture to which Levi Strauss would never have agreed.

Officially, the talks between Strug and Levi Strauss were not broken off. Lodz is waiting for a formal reply expected on 15 December. However, it is already known that Canampol has reached an understanding with the Plock authorities where the WPHW [Voivodship Domestic Trade Enterprise] warehouses, whose proprietor this time is the voivodship, have been proposed for the manufacture of the jeans.

According to Kazimierz Stys, in Plock they understand a modern approach to business; they have exhibited a broader point of view. The president of Canampol, Roman Chodakowski, who like Stys has been living in Canada (and the United States) for decades, claims that Levi Strauss wants to enter Poland with a capital investment of \$18 million! This is the largest production investment in Poland.

The Levi Strauss name is well regarded in the Lodz-based Strug plants. However, they are convinced in their thinking that Poland cannot be treated like a bankrupt. In their opinion, the acceptance of such a proposal would set a dangerous precedent for other transactions in Poland, the sale of assets to foreign investors at very low prices.

"This was not business," states Henryk Lubowski, an engineer with extensive managerial experience. "Levi Strauss is known for buying out at rock-bottom prices. It takes advantage of its partner's weak points; its economic standing. They [Levi Strauss] were surprised that we confronted the negotiations as equals."

Canampol, of course, has a different opinion. In Poland, large capital is treated like small capital. However, a different approach has to be taken with respect to major companies because they are used to being pursued around the world whereas, here ministries and social groups are encumbered with a defense psychosis and perceive a threat in foreign investments. On the other hand, Polish governmental structures are defensive. The Foreign Investment Agency should be promotional in nature and not regulative.

In mid-November, the Levi Strauss board of directors in San Francisco made the decision to locate its investment in Plock. The first condition of Canampol was for the city to lease a structure with a surface area of 20,000 square meters. The answer was "no" because Plock does not have such a structure available. Finally, as things stand, Levi Strauss will take part in bidding for the lease

of the WPHW warehouses with a surface area of 10,000 square meters. The lease rate will be negotiated but, as assured in the Plock city hall, on much better terms than in Lodz. Levi Strauss has expressed its readiness to build on, at its own expense, the remaining 10,000 square meters.

The Plock City Council has passed a unanimous resolution twice with regard to the investment. Levi Strauss intends to place in operation a network of 32 brand name stores in the country. Its headquarters will be housed in Plock and this signifies important financial advantages for the city derived from taxes. However, this is only the beginning because the word has already spread abroad that investments can be made in Plock. The telephones in the offices of the mayor and the voivode are beginning to ring off the hook from calls from foreign contractors.

## CZECHOSLOVAKIA

## Emigre Writer Pavel Kohout's Hesitant Return

91CH0210A Munich SUEDEUTSCHE ZEITUNG  
in German 12 Dec 90 p 16

[Article by Michael Frank: "Only Half a Homecoming"]

[Text] The connection between literature and room temperature results primarily from the combustibility of paper. However, comfort, stimulation, and inner warmth as the result of reading can come into dangerous, direct economic rivalry with heating costs: If energy costs in Czechoslovakia, in particular for district heating, which is in wide use, rise by 300 percent at New Year's, at the same time 150 percent more has to be paid for a daily newspaper, a book, and other printed material, then one of the most exciting years of the century for reading is very probably approaching its twilight for Czechs and Slovaks.

## Prague's Hunger for Reading

Perhaps not in quality, but certainly in quantity, for in the niches between the "old structure" and the new market the written word blossomed with the force of the jungle following the "gentle revolution," pushed by the hunger for thoughts and freedom of opinion and watered with the prices of the old system: for one koruna it has been possible to buy, for example MLADA FRONTA NES (YOUNG FRONT TODAY), the most impudent of the bourgeois-serious sensational newspapers, or LIDOVE NOVINY (PEOPLE'S NEWS), the resurrected traditional paper of the First Republic, an unusually clever paper, where a sparkling commentary is often more important than the state of affairs to be analyzed.

A hunger for reading in the CSFR [Czech and Slovak Federal Republic]: the second edition of Pavel Kohout's biographical novel (*Where the Dog Is Buried*) has just appeared; the first edition (40,000 copies) was quickly sold out. Kohout's latest book is supposed to appear soon. But that will probably be the end for reprints of famous writers in exile in the new Czechoslovakia. People are having a hard time with those who went, who had to go, whom the CP regime drove out and who are now returning to a form of homelessness, who can never be successful where they left.

Pavel Kohout allowed himself a year's time after the revolution for his first appearance in his former native country. For the West he is one of the key figures in the literary dispute with the "politics of normalization" following the suppression of the Prague Spring in August 1968—for many of his fellow countrymen in the newly named CSFR he is a symbol of the old burdens of history. As a long-time opportunist, as it were, Kohout is met with suspicion; after all, the brilliant critic and unmasker of the repression after 1969, he was one of the most celebrated, brilliant, most dedicated young talents of Communism-Leninism on the Moldau. The friendly

applause in the country does not dull the uneasiness of the—partial—returnee Kohout.

Eduard Goldstuecker, the monumental president of the reformist Writers Union in the Prague Spring, explains the tragic antagonism to the reporter at a Kohout reading in Prague: The persecuted and the prisoners, the dissidents, and those who opposed the "period of normalization" after 1968 are now being, or are already, rehabilitated. But what about the prisoners of the 1950's, who are not rehabilitated yet, who were imprisoned to the approval of people like Kohout? How are they supposed to befriend the then adherents of Communism, who purified themselves later, and were imprisoned or driven into exile after 1968, and are today celebrated rehabilitates.

## Critical Questions

Pavel Kohout is obviously close to tears, when he reads for the first time again on Sunday in the Vinohrady Theater in Prague, the magnificent house that was a foster mother to him to a certain extent and mistress, as he admits. From 1950 to 1969, he witnessed the premieres of 10 of his plays there. Now, after 21 years, on a Czech stage once again for the first time, this one no less, he describes it as a festival of the soul, as emotion and excitement, as if meeting a former love. When he was sent into exile in 1977, he recounts, something strange happened: When he was taken to the border at night, when the barrier rose and he walked into the misery of exile, all the lights suddenly went out behind him, his native country was left behind in darkness. His native land is not making it easy today for Kohout's darkness to lighten.

No, Austrian citizenship is not just a comfortable winter coat, which can be thrown away when the weather turns warmer. Kohout answers questions about his intention to return completely with this stereotype. He is now an Austrian, respect and gratitude towards this country were motivating him to remain there. Yes, of course, he, like so many Czechs abroad, had received offers of positions. In response to an offer of this kind he had said to a "highly placed friend": "If I wanted to harm you, I would accept."

Kohout knows he is not especially well liked in this country, where the mention of Communists makes many people's skin break out and where his old songs glorifying socialism are shown around like pornography, he would cause many people embarrassment. In the Vinohrady Theater, as it is called in Prague, questions from the audience again and again revolve around this more distant past, which Pavel Kohout answers with the confession that then, when he was young, he believed in the power of the movement, thought that the confessions in the terror trials were true, because he lacked the imagination to think that the perfidy which invents such things was possible; before and during the Prague Spring he held the conviction that a majority which would turn

it all to the good could be found in the system, which indeed appeared realistic in the Prague Spring.

### What Can Be Regained

Farewell politics! Pavel Kohout will in the future try to play the role of bridgekeeper. The audience becomes attentive in the Vinohrady Theater when he talks about the task of building a bridge to the cultural commonality "of our three peoples," meaning the Czechs, the Slovaks, and the Austrians. Smiled upon by life even in exile—as an adult, he learned the foreign language German so intensively that he was able to use it as a literary vehicle—he appears in Prague as a multicultural go-between: In the theater he reads Czech as a Czech citizen, accepts questions from the outstanding actress and principal Jirina Jiraskova and his Czech fellow countrymen. The following day he reads German in the residence of the Austrian ambassador as an Austrian for the Austrian colony. And his last novel (*End of The Long Vacation*), which he wrote in Czech and had translated into German (as with most of his works), he is having partially translated into Slovak, the dialogues to be exact. The intent is for the Slovak protagonists of the work to retain their linguistic identity in the current touchy ethnic balancing game of the CSFR.

Perhaps a gesture of this kind can in the long term continue to generate what the inhabitants of Prague mourn: the lost multiplicity, the epochal loss of a culture with three poles of Czech, Jewish, and German origin, the Jewish part of which the Germans destroyed, the German part of which the Czechs themselves expelled. But freedom and revolution continue such processes involuntarily: the GDR bookstore has disappeared, which for a few korunas offered hardly any ideological droning to the remarkably polyglot inhabitants of Prague, but instead the best of German literature. The international bookstores carry hardly any German books any more, except those from Czech publishers. Since the DM [German mark] has become all powerful in the East as well, the GDR is disappearing. In the beautifully severe Bauhaus building, where the GDR Cultural Institute was formerly housed, there is now a branch of the Deutsche Bank. Things like that are noticed by the inhabitants of Prague.

The Goethe Institute will have to cut its coat according to the cloth, so that the the heritage of the GDR, which in this unique instance is positive, does not decline completely. Is it only coincidence, or a kind of sign that Pavel Kohout's second appearance in Prague takes place at the same time as the first event organized by the new Goethe Institute, a reading by the novelist and professor of literature, Gerhard Koepf?

### Start at the Goethe Institute

The fact that more than 120 people—there is no room for any more in the Cultural Hall of the former GDR Embassy—wanted to listen to this author, who is practically unknown in the CSFR, and that they held an animated discussion, got the Institute off to a start that hardly anyone would have dared hope for, gives a hint of how this heritage could look. And it makes clear what a nation of readers lives here, what openness prevails, what intellectual nimbleness.

As part of the attempt at revivification of the multicultural society of the Golden City, a great labor, a great opportunity could be the lot of the exile-writers. They could become the true bridge in people's translinguistic interest, in their curious interest, even if they seem until now to be heading for a fate such as German literature in exile suffered after World War II. Milan Kundera, Libuse Monikova—the prospects for their works and that of others being printed in the CSFR, one year after the revolution, are still considered hopeless. After more than 50 years of being gagged, since 1938, the attack by the Nazi Reich on "little Czechoslovakia," there have been only short breathers of literary freedom—there is a desire to have a hand in formulating one's own thoughts, a desire to overcome the endless blockage of one's own expression; there is a desire to prove to oneself that the regime of the communist philistines was not able to destroy the intellect and esprit of the nation. In the full knowledge of the misery of exile, seen in this light the exiled poets and writers, who have always been able to give free rein to their pens, seem almost privileged to the Czechs; to extend special attention to them cannot be the dictate of the hour.

### Where the Word Has Meaning

But soon the exiles too will once again be sitting at the table, where everyone has found a place in the CSFR, especially in Prague. The Prague literati sit with their drinking buddies in the bars without regard for ancestry, with no desire for separation from the common folk. This nation (still) loves and truly understands its poet-president Vaclav Havel, even when he presents his encouragement and entreaties, his abuse and censure in a language, an expression, a construct of thought that almost makes literature into a political everyday standard (an ideal that is always dreamed of in Germany, but is fatefully unattainable). The reason for this talent for understanding also contains the hope for the returnees: In every Czech at the regulars' table is hidden an intellectual, and in every intellectual there is a regular at the table. And in exile one does not forget how to drink.



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